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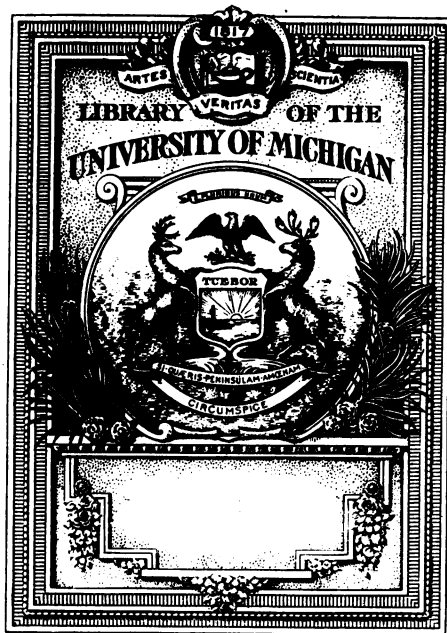
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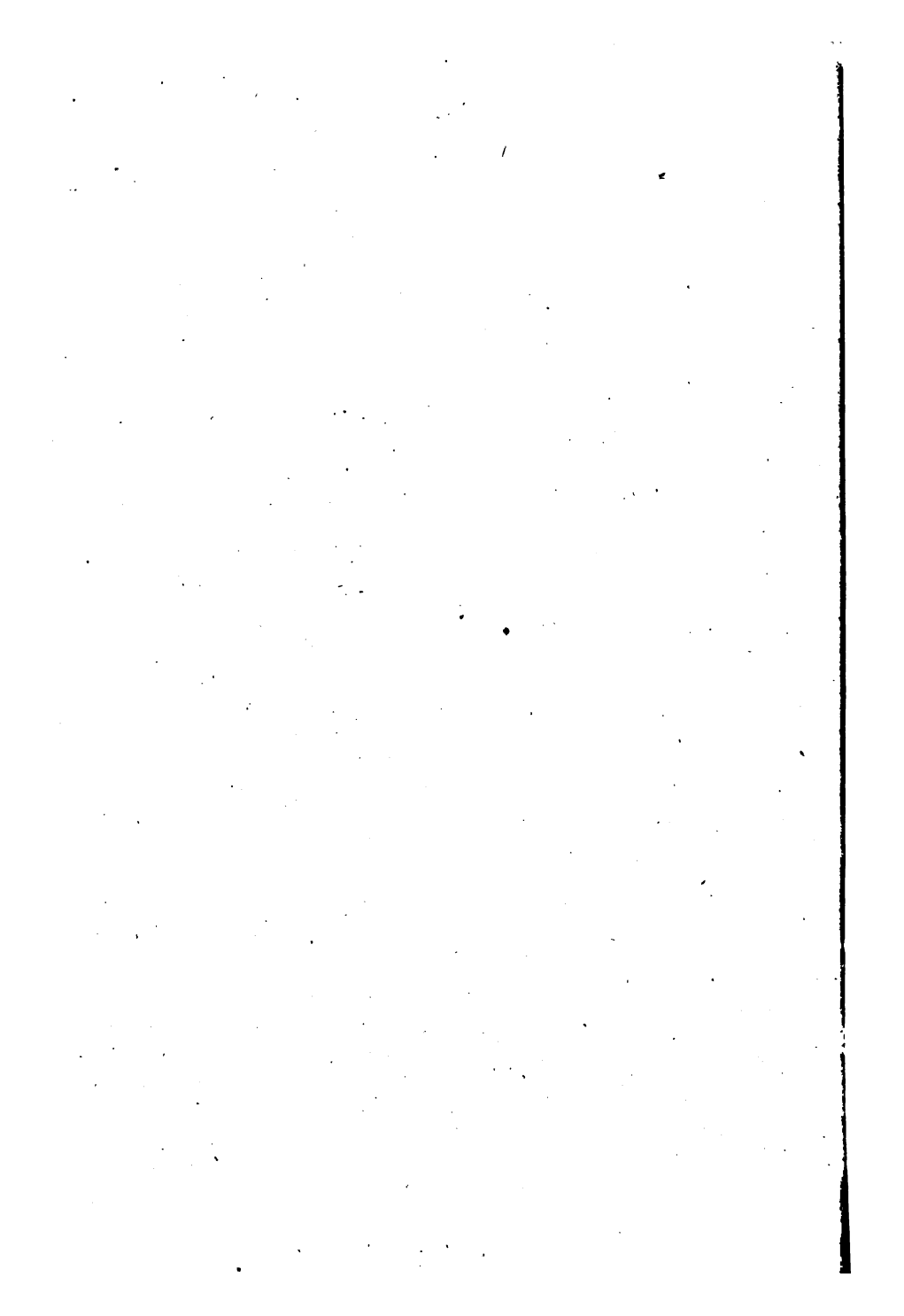
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**HOUSEHOLD ACCOUNTING
AND ECONOMICS**



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HOUSEHOLD ACCOUNTING AND ECONOMICS

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Prof. Louis C. Karpinski
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TO
MY WIFE

PREFACE

THE management of a home is a business. The housekeeper of to-day, if she is to manage a home successfully, must be educated in the various duties and responsibilities of her position. Courses in the different branches of domestic science in both public and private schools are furnishing this training to the girls of the country.

But this is not enough. They should be shown the true basis of the management of a home, which lies in a knowledge of the economic principles that underlie the expenditure of the family income. They should be taught how to plan their own expenditures and those of the family. They should learn to keep their own accounts and those of the family in order to help in planning the family expenditures. Properly kept accounts furnish a history of the family expenditures that can be made a valuable aid in future planning.

The experience of home managers is that a careful study of home economics and accounting makes it possible for the housekeeper to plan more wisely the expenditures and to save a larger part of the family income. The study of household economics is a study of the economic basis of the family. The standard of a family depends in part upon the income, but, above a certain minimum income, it is mainly dependent upon the choice of expenditures.

Certain expenditures are necessary, but a study of the expense accounts of different families having the same income shows that wide choice is possible even here.

Education in household affairs tends to improve the choice of the necessary expenditures. It has a tendency to raise the standard of living, to permit of a larger expenditure for the moral and intellectual advancement of the family, and to increase the family savings.

Differences in the size of families and in conditions and localities make it difficult to set a standard of expenditures. Each family must adapt the general economic principles to its problems. A study of the family budget and of personal and household accounting furnishes the best means of doing this. In addition, there are other subjects that should be included in the study of home economics because of their relation to the well-being of the family. For this reason it is believed that the chapters on Savings Bank Accounts, on Life, Health, and Accident Insurance, and on Investments for the Home will be valuable. A study of banking and legal principles and of the business letter is necessary, too, in order that the housekeeper's dealings with the bank and with others may be conducted in a businesslike manner and without loss.

No previous knowledge of bookkeeping or accounting is necessary in the study of this text. The basis is an economic one and the methods and forms of the bookkeeper are modified to suit the convenience and needs of the housekeeper. The text furnishes practical, working methods of keeping accounts and of doing the other things that should form a part of the housekeeper's records.

The author believes that a text of this kind should be used in every school where domestic science is taught.

Although the book is written primarily for girls taking courses in home economics, it furnishes training valuable for boys as well. A few schools are giving elementary training of this kind to both boys and girls, and it is to be hoped that more will soon do so.

The author hopes that this book will be a welcome addition to the working library of many a housekeeper, and that it will prove useful also to many clubs and societies that desire to study this subject.

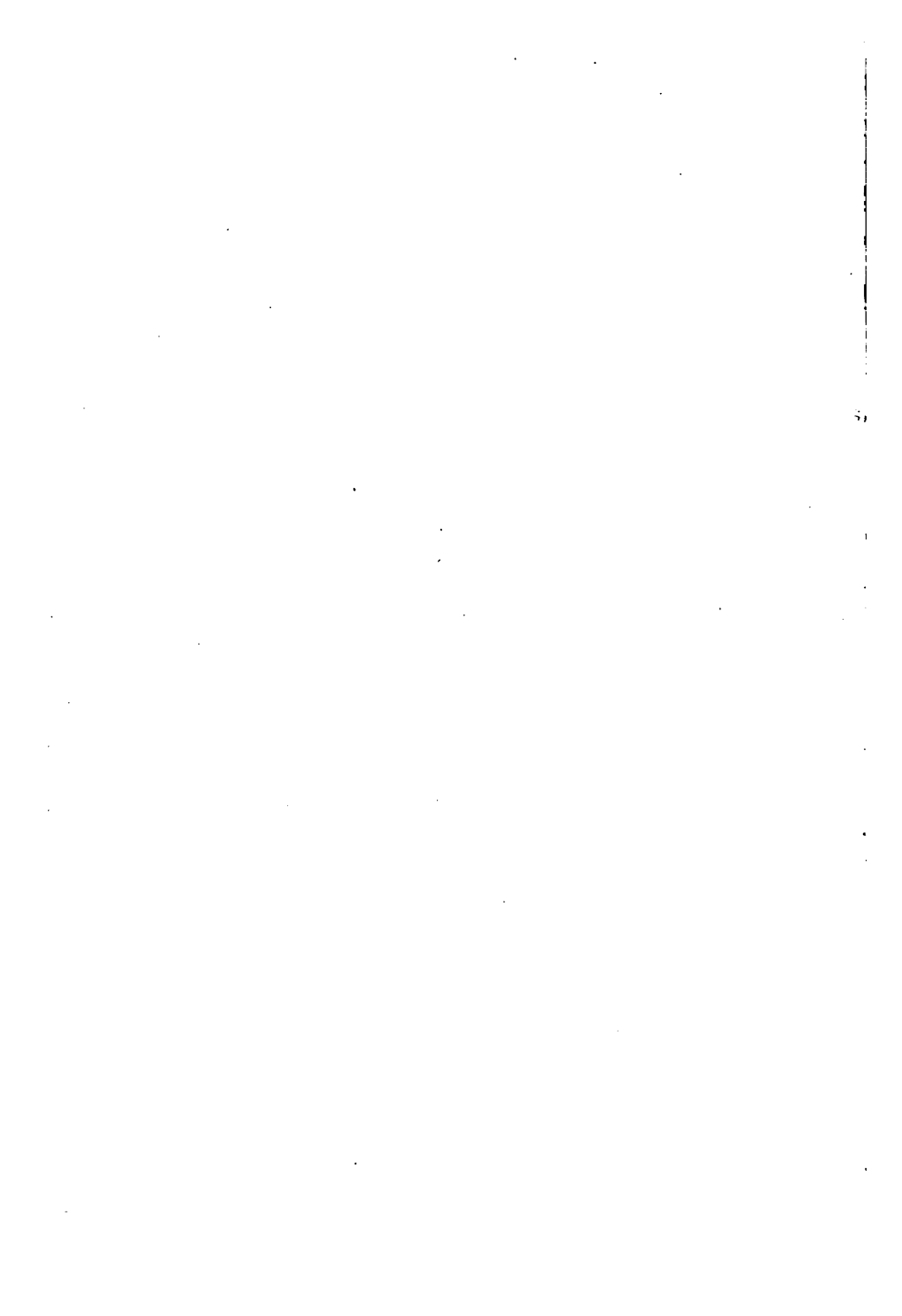
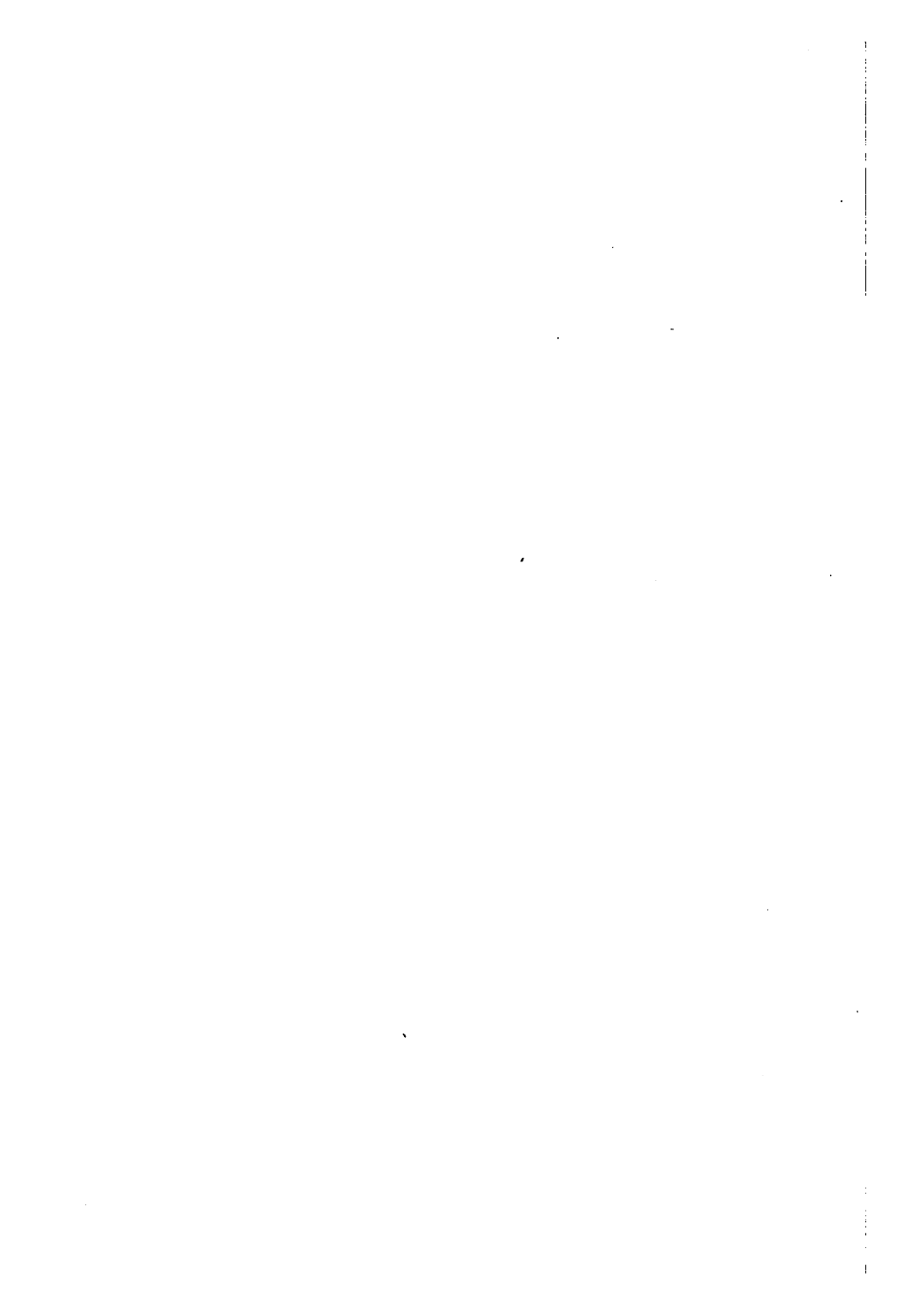


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HOUSEHOLD ACCOUNTING AND ECONOMICS

CHAPTER I

PERSONAL ACCOUNTS

MANY persons consider the keeping of personal accounts a useless waste of time and energy. The reason for this is largely due to the fact that the average person does not know how to keep accounts properly and is not willing to spend a few minutes each day in recording the day's expenditures. It is so easy to put off the record, hoping for a more convenient time and then find that it is difficult to remember what was done with the money. Soon the person becomes satisfied if he records most of the expenditures and makes no attempt to keep the accounts accurately. It is just a step further to give up the system entirely and keep no systematic record of expenditures.

But it is almost impossible to practice any systematic plan of spending money, or of saving it, if one does not keep an accurate account of all money received and paid out. The accounts may be kept in a simple form or they may be more elaborate, depending upon the number of expenditures and the information desired. The keeping of accounts is a definite help in planning the expenditures for a given time. At the beginning of each month and each year every person

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should make some plans regarding the expenditures for the next month or year. But how can this be done if no accounts have been kept on which to base the planning? Few persons who do not keep accounts save in any systematic way. They do not know where to begin to save. If accounts have been kept, a careful study of the record will reveal expenditures here and there that could have been saved. A study of the early life of almost every person who has attained financial success will show that a systematic keeping of accounts and a plan of systematic saving were practiced early.

There are few girls who will not have, at some time, the management of a home. To them the keeping of personal accounts will furnish the necessary practice and training, as well as demonstrate the importance of this work. Few housewives keep accounts; few families know where they could save, simply because they have no accurate knowledge of expenses. But there is an increasing number of housewives who see the necessity for this and who are giving their daughters the training that will fit them to manage a home properly. The girl trained to keep her own personal accounts will find it an easy matter to increase her knowledge of accounts and to extend her practice to the keeping of the accounts of a household.

It is very desirable that every girl be given a certain allowance weekly or monthly, preferably weekly at first, and be required to keep certain definite kinds of expenditures within this allowance. Many a girl has been thrown upon her own resources or has gone to college or university with a definite allowance or income and has found it difficult to keep within the allowance because she has had no training in keeping accounts or in planning her expenditures. No matter how

small the allowance, every girl should take pride in knowing just what has been done with every cent of it.

A common and convenient form to use in keeping personal accounts is the two-column cash book. It may be simply a small pocket cash book or a small note book ruled with two money columns. This is the easiest and simplest form, but it is not as easy to make comparisons from it as from a larger cash book, divided into special columns for the different classes of expenditures. This method will be explained and illustrated in the next chapter.

In the two-column cash book, the first money column should be used for the receipts, the second for the expenditures. Every item should be dated and fully explained. The only safe plan to follow is to enter the expenditures *daily* and not to wait until a number of expenditures have been made and then attempt to remember them. Although it is best to keep these accounts in ink, it is better to enter them in pencil at once than to put it off. In shopping it is desirable to make a list of purchases to be made before going to the store and then to record on this list the amount paid for each article. At the end of the day these expenditures should be entered in the cash book and the cash proved. To prove cash, add in pencil each side of the cash book and take the difference. This difference should agree with the actual cash on hand. It is a good plan to put this balance in small figures to the left of the Received column, as it shows that cash was proved and what the balance was. While it is not necessary to prove cash every day it should be done often and whenever several expenditures have been made.

Weekly, and at the bottom of each page, the cash book should be balanced. This is done by entering the difference

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as *Balance* in the Paid column, ruling it up and either bringing the balance down below in the Received column, or, if at the bottom of the page, taking it to the top of the next page. The balance may be written in red ink when it is written in the Paid column and the lines may be drawn in red ink. The balance when brought down in the Received column should always be written in black ink.

The following form will illustrate the method of making the entries, balancing, and ruling already explained. The closing at the bottom of a page is shown and the forwarding to the top of the next page.

PERSONAL CASH BOOK

January 1-15, 19__ *Recd.* *Paid*

<i>Jan.</i>					
1	<i>Recd. allowance</i>		2	—	
2	<i>Paid for English book</i>				50
3	<i>" " concert</i>	1.25			25
					.75
4	<i>" " church</i>				10
5	<i>" " lunch</i>				17
7	<i>" " stationery</i>				20
8	<i>" " car fare</i>				25
10	<i>" " pencil and pens</i>	.46			07
					1.54
12	<i>" " stamps</i>				04
14	<i>" " note book</i>				10
15	<i>" " entertainment</i>				15
					1.83
15	<i>Balance on hand</i>				17
			2	—	2

January 15—, 19—

16	Balance on hand	17	
16	Reed. allowance	2	—

Exercise 1. Rule a sheet of paper like the model personal cash book illustrated and enter the following transactions in it. Balance the cash book weekly, and bring the balance down on the same sheet.

- Feb. 1. Received allowance for one week, \$1.50.
 2. Paid for gloves, 75c.
 4. Paid for car fare, 25c.
 5. Paid for note book, 15c.
 6. Paid for concert, 10c; for candy, 5c.
 Balance the cash book.
 7. Paid for church, 5c.
 8. Received allowance for one week, \$1.50.
 9. Paid for handkerchiefs, 50c.
 9. Received allowance for books and supplies, \$4.
 9. Paid for physiology, \$1.20.
 10. Paid for English book, \$1.15.
 11. Paid for note book, 30c.
 12. Paid for cooking text, \$1.25.
 12. Deposited in school savings bank, 25c.
 This should be entered the same as any other payment.
 13. Paid for ribbons, 20c.
 Balance the cash book.
 15. Received allowance for one week, \$1.50.
 16. Paid for magazine, 25c; for lunch, 16c.
 17. Paid for embroidery, 30c.
 18. Paid for stationery, 25c.
 20. Paid for car fare, 25c.
 Balance the cash book.
 21. Paid for church, 10c.
 22. Received allowance for one week, \$1.50.

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- 22. Paid for pencils, 8c.
- 23. Paid for a collar, 25c.
- 24. Paid for a tablet, 10c.
- 25. Paid for toilet water, 35c.
- 26. Paid for lunch, 14c.
- 26. Deposited in school savings bank, 30c.
- 27. Paid for lace, 20c.
- 28. Paid for church, 10c.
- Balance the cash book.**

CHAPTER II

PERSONAL ACCOUNTS SUMMARIZED

THE method of keeping account of personal expenditures given in Chapter I is a good record of receipts and payments, especially if the number of items is not large, but it is difficult to find out from this record how much has been expended for each class of expenditures. Every person wishes to know, for example, how much has been expended for books and school supplies, how much for clothing, how much for amusements, how much for church and charity, etc. The two-column cash book does not give this in any definite form.

To give this information a monthly summary should be made to show the amount expended for each purpose and the total amount expended. It is not difficult to do this if the number of expenditures has not been large. Each one should first decide on a classification of expenditures suitable to the individual in this case. Each payment must then be classed under one of these headings. For the girl who meets all her expenses from her income the following headings will usually be found sufficient: Board, Clothing, Car Fare, Amusements, Education, Health, Church and Benevolence, Miscellaneous, and Savings. The expenditures for each of the different classes can easily be figured out in pencil and the total found.

It is best to keep the monthly classification in tabular form. A blank book ruled with as many columns as there are classes

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SUMMARY OF EXPENSES FOR 19—

MONTH	TOTAL PAYMENTS	BOARD	CLOTHING	CAR FARE	AMUSE- MENTS	EDUCATION	HEALTH	CHURCH AND BENEVO- LENCE	MISCELLA- NEOUS	SAVINGS
Jan.	30 30	12 —	8 50	1 75	1 20	2 —	1 —	40	1 45	2 —

of expenditures, presupposing that the allowance or the wages are sufficient to cover all ordinary personal expenditures, would be ruled about as shown opposite.

These columns may be greatly increased in number by divisions of the headings or by the addition of new ones. Care must be taken to see that the sum of the distributive columns equals the sum of the Total Payments column and that the sum of the Total Payments column equals the sum of all the payments for the month as shown by the cash book from which the totals for the different columns were obtained.

One can easily see that the task of finding the amount expended for each purpose may be a rather difficult one if the number of expenditures is large. It is much easier, also, to plan the expenditures for each period if one can see at a glance for what the different payments were made. For these reasons a cash book with distributive columns for payments corresponding to the main divisions of expenditures is to be preferred to the ordinary two-column cash book.

A wide note book ruled with additional money columns is recommended. The form on pages 10 and 11 may be varied by additional columns or by changing the headings of some to suit the needs of the individual.

In this form the date column is used for both receipts and payments. All receipts are entered at the left, with an explanation in the wide explanatory column. All payments are itemized in the explanatory column and the total for each line or date put in the Total Payments column. This amount is then distributed under the proper headings. The balance is found and proved with the actual cash on hand, either by finding the difference between the total receipts and total payments for the period, or by adding to the last balance any receipts since the last balance was found and subtracting the sum of the payments since the last balance was found. For example, in the illustration on pages 10 and 11, if it is desired to find the balance on hand Sept. 27, the total payments, \$27.90, would be subtracted from the total receipts, \$36, leaving a balance of \$8.10. Or, the payments since the last balance was found, \$1.60, may be subtracted from the last balance, \$9.70, leaving a balance of \$8.10. It is well to vary the method of finding the balance as the latter plan, although the easier, is also the more conducive to errors. The balance should be found and proved with the actual cash on hand often. If the number of expenditures is great it is well to find the balance and prove the cash daily, otherwise, two or three times a week may be sufficient.

At the end of the month there is a double proof of the correctness of the amounts. First, the sum of the distribution columns beginning with Board and ending with Savings must equal the sum of the Total Payments column. Second, the difference between the Receipts column and the Total Pay-

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ments column must equal the balance to be transferred to the next month. There is, also, in that way a proof of the correctness of the last balance if found by the other method. In beginning another month the first item is the balance brought forward in the Receipts and Balance columns. Nothing else is forwarded monthly. In forwarding during the month, as in the illustration, the balance is put in the Balance column, the total receipts for the month to date are put in the Receipts column, the total payments are put in the Total Payments column, and the sum of each distribution column is put in the column to which it belongs.

CASH

September

DATE	RECEIPTS	ITEMS	BALANCE	TOTAL PAYMENTS	BOARD
<i>Sept. 25</i>	<i>36</i>	<i>Forwarded</i>	<i>9 70</i>	<i>26 30</i>	<i>9</i>
<i>26</i>		<i>Book^{.50} Gloves^{.75}</i>		<i>1 25</i>	
<i>27</i>		<i>Theater^{.25} Candy^{.10}</i>	<i>8 10</i>	<i>35</i>	
<i>28</i>		<i>Tooth paste</i>		<i>15</i>	
<i>29</i>		<i>Car fare^{.25} Shoes^{2.75}</i>	<i>4 95</i>	<i>3</i>	
<i>30</i>	<i>12</i>	<i>Wages</i>			
<i>30</i>		<i>Board to date</i>		<i>3</i>	<i>3</i>
<i>30</i>		<i>Coat^{7.50} Toilet</i>			
		<i>water^{.50}</i>		<i>8</i>	
<i>30</i>		<i>Savings^{2.00}</i>			
		<i>Medicine^{.25}</i>		<i>2 25</i>	
	<i>48</i>		<i>3 70</i>	<i>44 30</i>	<i>12</i>

With this cash book a Summary page, ruled the same as the cash book from the Total Payments to the last column, should be used. The totals of the various columns should be transferred to this summary monthly. The sum of the payments for the year can then be found by columns.

Exercise 2. Rule paper with columns the same as the cash book illustrated here, enter the transactions of Exercise 1 in it, find the balance weekly, and prove the totals at the end of the month.

Exercise 3. Rule paper with columns the same as in Exercise 2, enter the following transactions in it, find the

Book

25-30, 19__

CLOTHING	CAR FARE	AMUSE- MENTS	EDUCA- TION	HEALTH	CHURCH AND BENEVO- LENCE	MISCEL- LANEOUS	SAVINGS
8 75	1 60	1 30	1 20	35	30	80	3 —
75		25	50			10	
				15			
2 75	25						
7 50						50	
				25			2 —
19 75	1 85	1 55	1 70	75	30	1 40	5 —

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balance weekly, and prove the totals at the end of the month.

- March
1. Balance on hand from February, \$4.25.
Enter this in the Receipts and Balance columns.
 2. Paid for shoes, \$3.
 3. Paid for car fare, 25c.
 4. Received wages for the week, \$8.
 4. Paid board to date, \$3; paid for concert, 20c.
 7. Paid for candy, 20c.
 9. Paid for perfume, 25c; for magazine, 25c.
 10. Paid for drugs, 35c.
 11. Paid for handkerchiefs, 50c; for car fare, 25c.
 11. Received wages for the week, \$8.
 11. Paid board to date, \$3.
 12. Paid for church, 10c.
 14. Paid for toothbrush, 20c.
 15. Deposited in savings bank, \$2.50.
 16. Paid for dress, \$3.95; for lunch, 20c.
 17. Paid for gloves, 90c; for lace, 40c.
 18. Received wages for the week, \$8.
 18. Paid board to date, \$3; paid for book, \$1.
 19. Paid for car fare, 50c.
 20. Paid for shoe polish, 25c; for hose, 50c.
 21. Paid for theater, 35c.
 22. Paid for soap, 25c; for talcum, 15c.
 25. Received wages for the week, \$8.
 25. Paid board to date, \$3; paid for concert, 25c.
 26. Paid for church, 10c.
 27. Deposited in savings bank, \$2; paid for overshoes, 75c.
 28. Received for addressing envelopes, \$1.25.
 28. Paid for ribbon, 30c.
 30. Paid for theater, 50c; for a present for a friend, 50c.
 31. Paid for pins, 10c; for needles, 10c; for dental work, \$2.

QUESTIONS FOR DISCUSSION

1. Why is it necessary to keep personal accounts?
2. What effect has the keeping of personal accounts on habits of saving?
3. Describe the use of the two-column cash book.
4. How often should expenditures be entered? Why?
5. How often should the cash book be balanced? Explain how it is done.
6. In using the two-column cash book how can one find the amount expended for each of the different classes of expenditures for a definite period, as, monthly?
7. What are the advantages of the special column cash book for personal accounts?
8. How is the special column cash book forwarded during the month? How is the balance at any date found?
9. How often should the cash book be proved with the cash on hand? How is it done?
10. How is the correctness of the distribution columns proved at the end of the month? How is the cash book forwarded at the end of the month?

CHAPTER III

ECONOMICS OF THE HOUSEHOLD

IN the study of personal expenditures little was said about planning the expenditures as they vary so greatly with the individual. But the expenditures of the household must be studied and planned on an economic basis. Before we can keep the accounts of the household we must understand the economic conditions in the modern home.

In any study of economics there are two chief divisions: production and consumption. Most of the study of economics has been given to a study of the productive side, and little attention has been given to the subject of consumption.

Formerly when the home was the center of production as well as of consumption, the subject of consumption was much more important to the family unit. Now that the factory, the various trades, and the shops have taken the burden of production almost entirely from the family circle, students of home economics are turning their attention to the study of consumption.

Most of the wealth acquired outside the family circle is expended either on the home or on interests closely related to the home. For women, who become the chief directors of the expenditures of the home, the study of consumption is of the greatest importance.

With the increased cost of living and the knowledge that there is a great deal of waste in the consumption of food and

in operating the home, a study of the methods of obtaining greater efficiency in the home is necessary. The standard of living, the efficiency of the family, can be increased in three ways: by increasing the income, by diminishing the expenditures, and by choosing the expenditures more wisely. Most families have a fairly constant income that cannot be increased to any great extent by any amount of effort. Since there is little hope, in the average family, of increasing the income, the present economic pressure forces us to consider choosing the expenditures more wisely, and, if possible, decreasing the expenditures.

The student must realize the importance of the business side of the home and that it is only by training the housekeeper to direct and plan the expenditures that the standard of home efficiency can be increased. The housekeeper must learn from the business world that to expend money so as to get the maximum of benefit from the expenditures, there must be a definite plan, a classification of expenditures, and an apportioning of the income so as to secure the maximum of efficiency.

The best means yet found of apportioning the income is by means of the family budget. A budget is a theoretical division of the income with the purpose in view of getting the most out of the family income. It is a plan to check undue expenditure in any direction. It gives an incentive to bring the actual expenditures within the limits of the proportions decided upon.

ENGEL'S LAW. The basis of the family budget is a study of the expenditures of a number of families with varying incomes and the formation of a number of principles to govern the making of the family budget. Dr. Engel first made a study of the expenditures of the families of working men in

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Saxony. The results of his study he expressed in four laws known as Engel's Laws. They are as follows :

1. As the income of a family increased, a smaller percentage was expended for food. For example, it was found that with an income of \$900, about 35%, or \$315, was expended for food for an average family. But with an income of \$2000, only 25%, or \$500, was expended for food.

2. As the income increased, the percentage spent for rent, fuel, and light remained invariably the same. For example, it was found that, with an income of \$900, the percentage spent for rent was about 20%, or \$180, and for operating expenses, 15%, or \$135. For incomes below \$800, the percentage spent for rent was found to be somewhat lower, being approximately 15%. With an income of \$2000 the percentage spent for rent was approximately the same, 20%, or \$400, and for operating expenses the same, 15%, or \$300.

3. With every increase in income, the percentage spent for clothing was approximately the same. For example, the percentage expended for clothing, from an income of \$900, was found to be between 15% and 20%, or about \$135 to \$180. But as the income became \$1000 the percentage was approximately the same for incomes up to \$4000, being 20%, or \$400, for an income of \$2000.

4. As the income increased, a larger proportion was spent for education, recreation, and the other expenditures which pertain to the higher life. For example, it was found that for incomes under \$800, few families could spend more than from 5% to 10% for the higher life. But with incomes of \$800 to \$4000 the per cent gradually increased from 10% to 20% or even 25%.

These figures are taken chiefly from similar investigations in this country that are more recent than those of Dr. Engel.

Many things must be taken into consideration in fixing the per cent to be expended for each purpose. It has been found that the per cent depends largely upon the amount of the income and upon the standard of living of the family. The standard of living is influenced by many things, chief of which are situation, environment, education, occupation, race, and hereditary tendencies. One thing has been established, that with an increase in education there is usually an increase in the standard of living. It is almost self-evident, also, that the per cent of expenditures for shelter and clothing will usually be higher for the same income in the family of a professional man than in that of a mechanic. Yet, in almost every family whose income is above a certain minimum there is considerable room for choice in the matter of expenditures.

If the income is small, almost all of it must be expended for the necessities of life. After the income reaches a certain minimum ranging from \$800 to \$1200 a standard of living may be maintained such as to secure a reasonable degree of efficiency. A standard of living to accomplish these purposes includes expenditures under the following classification :

1. The necessities of life, including :
 - a. food
 - b. shelter
 - c. clothing
 - d. operating expenses, such as, fuel, light, wages of servants, etc.
2. The higher life, including everything that ministers to the mental and moral well-being, classified as follows :
 - a. education, books, magazines, and self-improvement
 - b. recreation, including amusements, travel, dues in clubs and lodges, except any part that has to do with insurance or education
 - c. benevolence, including church and charities

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- d. health, including expenditures for medicines, physicians, nurses, and dentists
- e. expenditures for household furniture and furnishings
- f. savings, including life insurance, investments, real property, etc.

In families of four or five consisting of two adults and two or three children under sixteen years of age or in families of four adults investigations in this country have shown that the expenditures should be divided up about as follows :

INCOME	FOOD	RENT	OPERATING EXPENSES	CLOTHING	HIGHER LIFE
Ideal	25 %	20 %	15 %	15 %	25 %
\$1500-\$4000	25 %	20 %	15 %	20 %	20 %
\$1000-\$1500	30 %	20 %	15 %	20 %	15 %
\$800-\$1000	35 %	20 %	15 %	15 %	15 %
\$500-\$800	45 %	15 %	15 %	15 %	10 %
Under \$500	60 %	15 %	10 %	10 %	5 %

This estimate for varying incomes shows a close following of Engel's law already explained. It will be noticed that the per cent expended for food decreases as the income increases until the income reaches about \$1500, then the per cent remains about the same, that of the ideal, 25%.

Rent, after an income of \$800 is reached, maintains a constant per cent, 20%.

Operating expenses remain practically the same throughout, 15%.

Expenditures for clothing remain about the same in incomes from \$500 to \$1000, about 15%; after that maximum is reached the per cent is 20%. It will be seen that the expenditure for clothing is 5% more than the ideal. Most families will probably find it possible to reduce the expendi-

tures for clothing to about $17\frac{1}{4}\%$, leaving a corresponding increase for the higher life.

In incomes below \$800, it will be seen that the per cent expended for the higher life can be very small, not more than from 5% to 10%. In incomes from \$800 to \$1500 the per cent increases to 15%. Above that amount the per cent remains about 20%.

From this analysis it will be seen that about the only way to increase the per cent expended for the higher life is to decrease the per cent expended for food or that expended for clothing, as the other factors remain practically the same throughout. To decrease the expenditure for food is possible, but in many cases not practicable if the efficiency of the family is to be maintained. To decrease the expenditure for clothing may be more practicable.

This estimate is capable of still further subdivision, depending upon the needs of individual families. The expenditures for food may be divided up into per cents for groceries, meat, milk, etc. The expenditures for rent should include car fare to and from the place of employment. The operating expenses may be divided up into those for fuel, light, service, miscellaneous, etc. The expenditures for clothing may be divided into per cents for each member of the family. The expenditures for the higher life may also be divided up into per cents for education, health, insurance, savings, etc.

Exercise 4. Divide the expenditures of Exercise 3 into the divisions and subdivisions given on pages 17 and 18 and find what per cent each is of the total expenditures for the month.

CHAPTER IV

THE FAMILY BUDGET

FROM the study of Engel's law we have seen that, in order to expend the family income wisely, a division of the income should be made, based on that law and on the experience of the family. This estimate, which must be studied and formulated in advance, we have called the family budget. Since it is an estimate, it will at first be quite inaccurate and subject to change, unless family accounts have previously been kept which will show the departures from the law necessary in this case. The management of the modern home is a business proposition. No business, no club or society, no church or lodge would think of beginning a new year without some study of the expenses that must be met during the year. But that is not sufficient in most cases. There must be a working out of some definite plan for the expenditures for the year, and this must be put into a working table that can be used as a guide. This is the object of the family budget. It is not an experiment; it has become as necessary as the club or society budget or the municipal budget.

But how shall we go about the making of the family budget? Let us make a study of the method employed by a family of about the average size. We shall take, for this purpose, the family of Charles Green, consisting of Mr. Green, his wife,

Helen, his son, Frank, aged 14, and his daughter, Grace, aged 11.

Mr. Green is a machinist earning \$3.50 a day for an average of 300 days in the year, or \$1050. Frank earns an average of 75c a week selling papers, or \$39. Mrs. Green earns a few dollars baking for some of her friends, bringing the family income up to approximately \$1100.

Before beginning a new year, Mr. and Mrs. Green and the children spend an evening talking over the expenditures for the coming year. The children are given a general idea of the plan and in this way are being trained to help solve the problems of the family as they become older. Mr. and Mrs. Green have both made a careful study of Engel's law and have read several articles on the method of making the family budget. Mrs. Green has, during the past year, kept some simple accounts that will aid very much in making the budget. Each member of the family is given pencil and paper. They begin the study of the necessities under the heads of food, shelter, clothing, and operating expenses.

The question of rent is first taken up, as that is a fairly constant quantity. The family lives in a flat for which they pay \$16 a month, or \$192 a year. Mr. Green lives at some distance from his work which necessitates an expenditure of 8c a day for car fare, or about \$24 a year. It is proper to charge this car fare to shelter and to include it in with the rent. Other expenditures for car fare should be charged to amusements, or clothing, or to whatever item caused the expenditure for car fare. A separate division may be kept for car fare but it can properly be kept in this way. The total cost of rent and car fare they estimate to be \$216. They consult the ideal division of 20% for rent and find that their estimate is just within that ideal estimate of \$220.

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The question of the expenditure for food is then considered. By taking 25% of the income as the ideal division for food, they find it to be \$275. This they divide by 12, in order to get the estimate per month. This division gives a fraction less than \$23 a month. In order to make the division equal, they take \$23 as the estimate per month, or \$276 per year. Mrs. Green has kept some accounts and has divided her expenditures for food into three divisions: milk and butter, meat, groceries and vegetables. From past experience she estimates that the expenditures for milk and butter will be \$3.50 per month. The average expenditures for meat have been between seven and eight dollars. This seems high to Mrs. Green, but Mr. Green's work is strenuous manual labor and they decide that it is unwise to cut down the allowance for meat. They fix the average amount at \$7.50. Taking the sum of these two from \$23 leaves \$12 for groceries and vegetables. This Mrs. Green considers sufficient. She does not include in this, however, expenditures for soap, washing powders, cleaning powders, and other expenditures of a similar nature that pertain to running the home.

The question of operating expenses is next taken up. They divide this up into expenditures for fuel, light, washing and cleaning, and miscellaneous. They expended the previous year for coal and coke for fuel, \$35, but the winter was mild, so they decide to add \$7 to this, making an allowance of \$42. For gas for fuel and light, their average expenditure is \$2.50 per month, or \$30 per year. Mrs. Green does her own washing with the help of the children, but occasionally has help in cleaning and in housecleaning. She estimates that her expenditures for washing supplies and for extra help amount to \$18 per year. The sum of these three makes \$90, leaving

\$75 for miscellaneous operating expenses, on the basis of 15% of \$1100, or \$165. This amount is considered sufficient for all other operating expenses.

The question of clothing is next considered. Each member of the family, with the aid of the others, makes a list of what will be needed for the coming year. They talk over these lists and finally present totals as follows: Mr. Green, \$60; Mrs. Green, \$70; Frank, \$25; Grace, \$25. This made a total of \$180. 15% of \$1100 is \$165. Their estimate is thus \$15 more than the ideal amount. Since practically all the members of the family need suits and coats this year they decide that \$180 is the least amount they can consider for the next year. They agree, however, to plan so that the expensive things will not have to be purchased for each member of the family in the same year.

This leaves \$263, or 23 $\frac{1}{4}$ % for expenditures for the higher life. They take up, with great interest, the expenditures for the higher life. They decide after much thought, to make the following divisions: education, recreation, benevolence, health, household furniture and furnishings, life insurance, and savings.

They consider first the life insurance as that is a constant amount. Mr. Green has his life insured for \$2000 in a legal reserve insurance company at an annual premium of \$52.50, payable semiannually. Under education they estimate that school books for the children and magazines for the family will cost \$12. Mr. Green desires to buy a set of books on mechanics to enable him to improve his knowledge and skill. These will cost \$20. Mrs. Green desires to purchase three books on cooking, dietetics, and home management at a cost of \$5. Their amusements consist of an occasional concert, a good photoplay once a week for the family, and oc-

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casional trips to the parks of the city. These they estimate will amount to \$30. For church and dues to the union they estimate that \$18 will be needed. Expenditures for health, including medicines, physicians' and dentists' bills, they estimate to be \$25. For the household they estimate that they need a new rug for the living room, a new chair, and some new linen for the table and beds. These they estimate will cost about \$35.

Frank, who is good at figures, quickly sums up the total of the estimates and finds that only \$65.50 remains to be put into a savings fund. This seems like a small amount, but they remember that the allowance for life insurance of \$52.50 is really a saving in another and even better form than a savings account in the bank. Frank then tabulates the allowances in such a form that they can easily be inspected and makes a copy for each member of the family. This tabulation will be given in the next chapter.

Exercise 5. The family of Mr. Charles Green, whose budget has been studied in this chapter, has had its income increased, as Mr. Green has been made foreman at a salary of \$115 a month. Frank now earns \$1.50 per week selling papers and running errands. Find the amount to be expended for each of the different divisions given in this chapter based on the ideal budget division.

Exercise 6. *a.* Suppose that Mrs. Green is given an allowance of \$70 for clothing, as outlined in the budget. Make a list of the articles that might be purchased by Mrs. Green for that amount, giving the price of each article.

b. Suppose that you were given an allowance of \$30 for clothing for a year, make a list of the articles, with their prices, that you would buy.

Exercise 7. Suppose that you were given an allowance of \$32 a month for food for a family of four adults, make a list of the articles for which you would spend the allowance. Use local prices and show the amount to be expended for each article of food.

Exercise 8. With the allowance of \$32 for the family of four adults as given in Exercise 7, make menus for a month. Give the cost of each.

CHAPTER V

THE FAMILY BUDGET TABULATED

THE budget of the Charles Green family as worked out in the last chapter is given in tabular form on page 27.

In the study of Engel's law as applied to the family budget it must be understood that it is simply a basis for making estimates. It cannot be followed exactly in very many families, but in most families with an income of at least \$800 or \$900 it can be closely approached. In some localities, especially in the large cities of the extreme east and the west, the allowance for food and for rent is not large enough to cover the necessary expenses. Where the family consists of the parents and two or more children over fourteen years of age the allowance for clothing may not be sufficient. In cases of unusual sickness especially at the birth of children, the allowance for "Health" will not be sufficient. All of these conditions show that the family budget cannot properly be made out without a study not only of the ideal budget but also by a careful study of the expenditures of the individual home and the keeping of proper accounts to give the necessary information.

Mr. and Mrs. Green believe in sharing the responsibility for the expenditures based on the budget. Mr. Green receives his wages twice a month, which, with the earnings of the rest of the family, makes an average for the semimonthly receipts of \$45.84. Mr. Green assumes responsibility for

BUDGET OF THE CHARLES GREEN FAMILY FOR 19—

	PER MONTH	PER YEAR
Food	\$23.00	\$276.00
Milk and Butter	\$3.50	\$42.00
Meat	7.50	90.00
Groceries and Vegetables	<u>12.00</u>	<u>144.00</u>
Rent and Car Fare	18.00	216.00
Rent	16.00	192.00
Car Fare	<u>2.00</u>	<u>24.00</u>
Operating Expenses	13.75	165.00
Fuel for Heating	3.50	42.00
Gas	2.50	30.00
Washing and Cleaning	1.50	18.00
Miscellaneous	<u>6.25</u>	<u>75.00</u>
Clothing	15.00	180.00
Mr. Green	5.00	60.00
Mrs. Green	5.83	70.00
Frank	2.08	25.00
Grace	<u>2.09</u>	<u>25.00</u>
Higher Life	21.92	263.00
Books and Magazines	3.08	37.00
Recreation	2.50	30.00
Church and Benevolence	1.50	18.00
Health	2.08	25.00
House Furniture and Furnishings	2.92	35.00
Life Insurance	4.38	52.50
Savings	<u>5.46</u>	<u>65.50</u>
	<u>\$91.67</u>	<u>\$1100.00</u>

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the rent and his car fare, the fuel for heating, his clothing, his life insurance, the payment of his books, and the savings deposit, amounting in all to \$19 semimonthly. At each payment, Mr. Green puts aside \$9 for rent and car fare, 83c for the payment on his books, \$1.75 for fuel, uses what is necessary for his clothing and puts the balance of his allowance for clothing together with \$2.19 for life insurance in a savings fund to be used for the different purposes when needed. In another savings fund he deposits \$2.73 semimonthly for the estimated savings according to the budget. The balance of the semi-monthly income, \$26.84, is given to Mrs. Green. Of this, Frank is given an allowance of 40c and Grace of 30c. They are required to meet certain small expenditures out of this allowance and to keep an accurate account of all expenditures. Mrs. Green pays the current expenses for food, operating expenses, except that for fuel for heating, buys the necessary clothing for herself and children, makes the expenditures for books and magazines, recreation, church and benevolence, and health and puts the balance in a savings account to be used for the larger expenditures for clothing, house furnishings, etc.

One cannot help but see that in the study of the family budget careful thought is given to the planning and carrying out of the plans formulated, one of the chief objects of the family budget. Another object of the family budget, that of aiding in making the expenditures and keeping an account of them, will be discussed in the next chapter.

Exercise 9. The family of George Jones consists of Mr. Jones, his wife, Mary, a son, Fred, aged 16, and a daughter, Louise, aged 14. Mr. Jones is a bookkeeper and earns \$125 a month. Fred earns \$5 a month selling papers. Mrs. Jones pays a woman \$1.50 every other week for washing and

cleaning. Mr. Jones rides to work in the street car, which costs him 8c a day. He carries \$2500 life insurance, which costs him \$67.86 per year. Make a family budget in tabular form both by the month and by the year.

Exercise 10. The family of James Baker consists of Mr. Baker, his wife, Ellen, and two boys, Roy, aged 5 years, and Francis, aged 3 years. Mrs. Baker's mother also lives with them. Mr. Baker is a carpenter and earns an average of \$3.75 a day for 25 days a month from April to November inclusive. From December to March inclusive he earns \$3.60 a day for an average of 18 days a month. Mrs. Baker, with the aid of her mother does all of her work. Mr. Baker has a bicycle and rides to and from his work on it. His expenses for up-keep on his bicycle have not been greater than \$3 yearly. Mr. Baker pays annual dues in his union amounting to \$6 and belongs to a fraternal insurance lodge to which he pays \$2.15 monthly. Mr. and Mrs. Baker are buying their home, on which they make monthly payments of \$18. They also owe a doctor's bill of \$25 for services the past year, which must be provided for in this year's budget. Make a family budget in tabular form both by the month and by the year.

Exercise 11. Mrs. Graham has a monthly allowance for food of \$36. The family consists of Mr. Graham, a lawyer, Mrs. Graham, a daughter, aged 17, in the third year of high school, and a son, aged 15, in the first year of high school. Divide this allowance providing for the different kinds of food, and draw up a list of the quantity of food and cost of the different items of food under each division. If the teacher desires, menus may be prepared based on this allowance of \$36 and the cost of each menu worked out at local prices.

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QUESTIONS FOR DISCUSSION

1. What changes have taken place in the economic conditions in the home?

2. What branch of economics should be studied by the housekeeper most thoroughly, and why?

3. In what three ways may the efficiency of the family be increased?

4. Of the three ways given for increasing the efficiency of the family, which is the most practicable under ordinary conditions? Why?

5. Give Engel's law and explain each part of it.

6. Of what value is Engel's law to the housekeeper? Explain.

7. Classify the expenditures for the necessities of life and tell what each includes.

8. Classify the expenditures for the higher life and tell what each includes.

9. What is meant by a family budget?

10. Give the ideal division of the expenditures of the family budget.

11. Explain how to go about the making of a family budget.

12. Of what value is the family budget in planning the expenditures?

13. Give any objections to the making of a family budget that you can think of.

14. Do you think it is possible for a girl earning \$10 a week and paying for her board and room to keep her expenditures for the different divisions within the limits of the ideal division for a family? Give reasons for your answer.

15. Name the principal elements that affect the standard of living of a family.

CHAPTER VI

HOW TO KEEP THE FAMILY ACCOUNTS

THE study of the family budget is a study of the ideal, the keeping of accounts is a study of the real. The making of the family budget is an estimate, a prophecy; the keeping of accounts is history. The family budget aids in keeping the accounts, the keeping of accounts this year aids in making next year's budget.

As the family budget should be a joint affair in which all members of the family that are old enough take a part, so the coöperation of the whole family should be enlisted in order to make the keeping of family accounts a success. The housekeeper, as manager of the home, knows more about the expenditures of the family than any other member, so naturally becomes the bookkeeper. It is very desirable, however, that the housekeeper train the children, especially the girls of the family, to aid in keeping these accounts. At first they can be given simply the mathematical work of proving up the accounts and as they become older they may be taught to make the entries. No one should be frightened by the word bookkeeper, as the housekeeper need have no knowledge of bookkeeping as such in order to keep the proper records of the home expenditures. No elaborate system nor one that involves a great deal of work should be undertaken because it is sure to result in failure. The housekeeper has little time to give to this work and in many cases little inclination to do

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it. The method must, therefore, be simple, capable of being expanded and changed as new conditions arise, must require little time, and must be easily proved. Once a method is understood, the three essentials of properly keeping family accounts are: first, the entries must be made daily as they occur; second, the balance of cash on hand must be proved with the actual cash on hand or in the bank often; third, accuracy in entering and computing the totals monthly and proving them up is of the utmost importance.

Bookkeepers in business houses make entries of the transactions that occur in certain books of entry called, according to their purpose, cash book, sales book, purchase book, journal, etc. They then transfer these items from the books of entry to a book in which all the items are classified, called a ledger. The same method may be followed by the housekeeper in keeping the family accounts but this requires more time than the average housekeeper can give to this work and demands more technical knowledge than the average housekeeper has. Reference to the two-column cash book in Chapter I, with the following illustration, will make this method clear. Suppose that a payment of \$25 was made for rent. It would be entered on the right-hand side of the two-page cash book or in the right-hand column of a two-column cash book as follows: *Rent To August 1 \$25.00*. This would then be transferred to a place in the ledger headed Rent. Every other payment for rent would be entered in a similar way in the cash book and then transferred to the Rent account in the ledger. In a similar way, every other payment would be named under some particular heading corresponding to similar headings in the budget and then transferred to that heading or account in the ledger. This involves a great deal of work and is not necessary, as the

headings or accounts of the household are comparatively few in number and do not change to any extent from month to month.

When the method of keeping personal accounts is understood, as given in Chapter II, by the use of the cash book with distributive columns, it is only a step farther to the keeping of family accounts. By having special columns to correspond to the principal divisions of the budget, the cash book becomes a cash book and ledger combined. This makes it possible to see at a glance what the expenditures for the month were and how they were distributed. With this form it is possible also to prove the cash often and to prove the accuracy of the distribution monthly.

The cash book is, of course, the most important book of entry. Nothing should be entered in it but cash actually received and paid out. It is a mistake for the housekeeper to try to combine with the payments of cash, items that represent purchases made on account. They should not be entered in the cash book till the payments are actually made. Purchases on account, unless for articles that are expensive and that are bought on installments, should be paid monthly. If these bills are paid after the end of the month, the cash book should be held open for a few days after the beginning of the month so that the payments may be entered in the month to which the expenditures belong instead of in the month in which they are paid. For example, suppose the family pays its meat bill monthly, and that the payment is made on Sept. 3 for the August bill. It should be entered in the August cash book on the last day of the month with the date of payment shown in the explanation.

Since it has been firmly established by all experienced home

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Cash Book,

DATE	RE-CEIPTS	ITEMS	BAL-ANCE	TOTAL PAY-MENTS	FOOD	RENT AND CAR FARE	FUEL AND LIGHT
June	91 67	Budget Line		91 67	23 —	18 —	6 —
June 1	34 25	Balance	34 25				
1		Rent		16 —		16 —	
2		Car fare 1.00 Book .15		1 15		1 —	
3		Meat .30 Vegetables .20		50	50		
4		Groceries, Nord bill		4 35	4 35		
5		Soap .25 Cleaning 1.00		1 25			
6		Medicine .25 Concert .40		65			
7		Repairs to stove 2.25					
		Meat bill 2.15		4 40	2 15		
7		Butter .87 Ties .50	4 58	1 37	87		
8		Church .25 Car fare					
		to park .35		60			
11		Fruit .30 Vegetables .20		50	50		
12		Tooth paste .20					
		Dentist 1.00		1 20			
13		Dress goods 1.20 Lace .50		1 70			
14	47 —	Wages, Mr. G. 45.50					
		Frank 1.50	47 58				
15		Church .30 Concert .40		70			
17		Car fare 1.00					
		Books, Mr. G. 2.00		3 —		1 —	
19		Gas 2.15 Linen 1.98		4 13			2 15
20		Life Ins. deposit 4.38					
		Theater .40		4 78			
21		Meat bill 3.75 Groceries per Hume bill 5.60	25 62	9 35	9 35		
22		Church .40 Stamps .20		60			
24		Dress, Grace 3.43		3 48			
25		Butter .60 Soap .25		85	60		
27		Stationery .40		40			
28	43 50	Wages, Mr. G. 42.00					
		Frank 1.50					
28		Picnic .75					
		Hat, Mr. G. 1.25		2 —			
28		Savings deposit 5.46					
		Sheets .80	55 53	6 26			
30		Meat bill 1.20 Butter .30		1 50	1 50		
30		Newspaper .25					
		Suit, Frank 10.00					
		Milk 1.50		11 75	1 50		
	124 75		42 28	82 47	21 32	18 —	2 15

June, 19__

WASH- ING AND CLEAN- ING	MIS- CELLA- NEOUS EX- PENSES	CLOTH- ING	BOOKS AND MAGA- ZINES	RECRE- ATION	CHURCH AND BENEV- OLENCE	HEALTH	FURNI- TURE AND FURNI- SH- INGS	LIFE INSUR- ANCE	SAV- INGS
1 50	6 25	15 —	3 08	2 50	1 50	2 08	2 92	4 38	5 46
			15						
1 25				40		25			
	2 25	50		35	25				
		1 70				1 20			
				40	30				
			2 —				1 98		
				40				4 38	
	20	3 48			40				
25	40								
		1 25		75					
							80		5 46
		10 —	25						
1 50	2 85	16 93	2 40	2 30	95	1 45	2 78	4 38	5 46

managers that purchases of food, the ordinary operating expenses of the home, and articles of clothing with the possible exception of expensive articles, should be paid at least monthly if they are bought on account, they can be entered when paid in the manner just given. All articles purchased on account should be accompanied by a bill. These bills should be preserved in some convenient way to be explained later. At the end of the month, these bills should be compared with the statement of account, if one is rendered, and the computations verified. If no statement of account is rendered, as is usual in the case of meat and grocery bills, the accuracy of the bills should be ascertained before the bills are paid. If grocery, meat, or milk bills are paid monthly or semimonthly, the items need not be entered in the cash book. All that is necessary is to name the firm to which the bill is paid in the explanation. As, *Meat, per Gordon bill, \$7.50*. But if articles of clothing, dry goods, house furnishings, etc. are bought and paid for monthly, they should be itemized in the cash book. Small items that cost little may be lumped together under the head of Notions or some similar heading.

In addition to the cash book, a book should be kept, or it may be several pages of the same book with the ordinary two-column ruling, in which a record of all purchases that are not settled monthly are kept and any contracts important enough to demand a record. This book takes the place of the journal or day book of the bookkeeper, but need not be kept so formally as the bookkeeper keeps it. The method of handling accounts of this kind, including installment accounts, will be explained later.

Study the cash book on pages 34 and 35 and its relation to the family budget. The idea of the budget for the Green

family, as worked out in the last two chapters is continued in the cash book illustrated here. A series of transactions is given illustrating the receipts and expenditures of the Green family for a month.

In this cash book the budget allowance is placed at the head of each column just under the name of the column. This serves as a guide to the expenditures under each heading. By comparing this cash book with the cash book with distributive columns on pages 10 and 11 the student will easily understand how this family cash book is kept.

Exercise 12. Use the loose-leaf sheets ruled like the cash book in this chapter or rule sheets and enter the following transactions. The transactions are represented to be those of the D. E. Willis family. The family consists of Mr. Willis, a salesman, his wife, and two daughters, Mabel and Clara. Mr. Willis receives \$125 per month. Their family budget is as follows:

	MONTHLY
Food	\$31.25
Rent and Car Fare	24.00
Operating Expenses	18.75
Fuel and Gas	\$7.50
Washing and Cleaning	5.00
Miscellaneous	6.25
Clothing	20.00
Higher Life	31.00
Books and Magazines	2.75
Recreation	2.25
Church and Benevolence	2.00
Health	3.00
House Furniture and Furnishings	5.00
Life Insurance	7.00
Savings	9.00
	<u>\$125.00</u>

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- September
1. Balance on hand, \$16.25.
 1. Received salary, \$125.
 1. Paid rent to Oct. 1, \$22.
 2. Paid for car tickets, \$1; dry groceries, \$6.75; soap, 50c.
 3. Paid for 2 T. coke, \$13.50; washing, \$1.
 4. Paid for fruit and vegetables, 60c; meat bill, 80c.
 4. Deposited in savings fund, \$9, and in life insurance savings fund, \$7.
 5. Paid for church, 50c.
 6. Paid for picnic and car fare to it, \$1.15; butter, 60c.
 8. Paid for school books, \$3.65; kitchen utensils, 85c.
 9. Paid for fruit and vegetables, 45c; medicine, 40c.
 10. Paid for one pair of curtains, \$3.75; magazine, 15c; washing and cleaning, \$1.25.
 11. Paid for fruit and vegetables, 70c; theater, 60c; meat bill, \$2.20.
 12. Paid for church, 40c; car fare to park, 25c.
 14. Paid gas bill, \$1.45; electric light bill, \$1.20; car tickets, \$1.
 15. Paid for fruit and vegetables, 45c; butter 60c.

Find the cash balance on the 4th, 11th, and 15th.

CHAPTER VII

UNEXPENDED BALANCES

IN studying the family budget we found that the estimated allowance for certain expenses was more than enough for some months and not enough for others. The same thing can be seen by studying the cash book on pages 34 and 35. This condition gives an unexpended balance to be carried over to the next month or, in a few cases, an amount over paid to be taken care of the next month. The housewife should have a table of these unexpended balances before her at the beginning of each month so that she may know whether she is keeping within her allowance or not. For example, a small expenditure for clothing in July and August would be offset by an expenditure in November and December larger than the budget allowance. In the same way a small expenditure for fuel in May, June, July, August, and September would be offset by a heavy expenditure in December, January, February, and March.

A table of unexpended balances for the cash book illustrated on pages 34 and 35 will now be made. The total must be made to agree with the cash balance taken forward to the next month. It must be understood that, since rent must be paid in advance, \$16 must be carried over each month as an unexpended balance. By taking the difference between each budget allowance and the amount actually spent as shown by the total of the column the amounts of the unexpended bal-

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ances from the month of May are shown. The balance of cash on hand, \$34.25, for May 1, is divided up in the first column of the unexpended balances. If a payment has been made that exceeds the budget allowance, it is shown in the table with a minus sign before it. The sum of the first two columns, or the difference if there is a minus quantity, equals the total amount unexpended at the end of June to be used for July and succeeding months.

UNEXPENDED BALANCES

	MAY 1	MONTH OF MAY	TOTAL JUNE 1
Food	\$.75	\$ 1.68	\$ 2.43
Rent	16.00	—	16.00
Fuel and Light	3.00	3.85	6.85
Washing	—	—	—
Miscellaneous	3.25	3.40	6.65—1.17=5.48
Clothing	9.15	—1.93	7.22
Books and magazines . . . . .	.30	.68	.98
Recreation . . . . .	.50	.20	.70
Church and Benevolence	—	.55	.55
Health . . . . .	.80	.63	1.43
House Furniture and Furnishings . . . . .	.50	.14	.64
	\$ 34.25	\$ 9.20	\$ 43.45
			1.17
			\$ 42.28

\$34.25 plus \$9.20 equals \$43.45. This would equal the balance of cash as shown by the cash book, \$42.28, but the income for the month fell short of the expected income by \$1.17. This amount must then be subtracted from \$43.45, leaving a balance of \$42.28, which proves with the cash book balance. In order to make the unexpended balances of the budget allowance agree with the actual cash balance, \$1.17 must be deducted from one of the items or divided up and

deducted from several of them. It is decided to deduct \$1.17 from the Miscellaneous Operating Expenses, leaving a balance of \$5.48 unexpended.

Monthly Summary. Each month the total payments for each purpose should be transferred to two Summary pages ruled the same as the cash book. This furnishes a means of comparison of expenditures month by month and at the end of the year the total for each kind of expenditure can be found and compared with the yearly budget allowance. In using the cash book as a summary, write the month in the Date column, the monthly receipts in the Receipts column, nothing in the Items and Balance columns and the total of each of the other columns in the respective columns. The balance of cash on hand at the beginning of the year should be included in the receipts for the first month, but for the other months, the actual cash received for that month should be entered. For example, suppose the balance at the beginning of the year is \$51.75 and the monthly income is \$100. In the monthly summary for the month of January, or better, on a separate line for Balance, \$51.75 should be entered and below it the regular income \$100. For each of the succeeding months \$100 should be entered in the Receipts column.

Exercise 12. (concluded). Use the same cash sheet as for the exercise in Chapter VI as this is a continuation of the same exercise, or, if the sheet is almost full, forward the totals to a new sheet and make the entries for the following transactions.

- September 16. Paid for a hat for Mrs. Willis, \$2.50; a hat for Mabel \$1.25; washing, \$1.
18. Paid for meat bill, \$2.35; fruit and vegetables, 65c; theater, 40c.
19. Paid for church, 50c; ice cream, 20c.

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- September 20. Paid for book, \$1; soap, 25c; curtains, \$2.85.
22. Paid for vegetables, 25c; stamps, 20c; stationery, 25c.
24. Paid for washing, \$1.25; dresses for Clara, \$2.98.
25. Paid meat bill, \$2.15; fruit and vegetables, 60c; shoes, Mr. Willis, \$3.50.
26. Paid for church, 35c; concert, 40c.
27. Paid for butter, 30c; tie, 50c.; underwear, \$2.50.
28. Paid for vegetables, 35c; talcum, 20c; cloth for a dress, Mrs. Willis, \$2.75.
29. Paid ice bill, \$1.15; telephone, \$1.50.
30. Paid for milk, \$3.10; meat bill, \$1.25; fruit, 20c; newspaper, 25c.

Find the cash balance on the 18th, 25th, and 30th. Find the total of each column and prove the sum of the Total Payments column with the sum of the distribution columns following.

Exercise 13. Make a table of Unexpended Balances from the results of Exercise 12 and prove it with the balance of cash as shown by the cash book balance.

QUESTIONS FOR DISCUSSION

1. What relation exists between the family budget and the keeping of household accounts?
2. What are the three essential features of properly keeping family accounts?
3. How does the keeping of family accounts differ from the keeping of personal accounts?
4. Describe the special column cash book for family accounts and explain how it is proved.
5. Under what conditions would it be advisable to enter the expenditures in a two-column cash book before entering them in the special column cash book?
6. What is the value of a table of unexpended balances? How is it made?
7. How is the table of unexpended balances proved with the actual cash balance?
8. Explain the monthly summary of expenditures.

CHAPTER VIII

HOW TO OPEN A BANK ACCOUNT

MOST housekeepers find it an inconvenience and risk to keep very much money on hand for the payment of bills and for running expenses. This is especially true where the income is received monthly. To avoid the handling of so much money from time to time, the housekeeper should have a bank account on which she can draw in payment of bills and from which she can draw money for expenses as it is needed.

The housekeeper is the manager of the home, and as such, should pay the bills that pertain to the home. If the husband or wage earner receives his income in money he should, at each pay day, turn over to the housekeeper the allowance that has been decided upon, based on the family budget. If the wage earner receives his salary in the form of a check he may cash it and either deposit her allowance in the bank in her name or turn the money over to her and let her make the deposit. Or, the husband may deposit his salary in his account at the bank and then draw a check on his account in favor of his wife for her allowance, which she can deposit in her account or cash.

To open a commercial or checking account, the depositor must first arrange with some official of the bank certain details of the account. The depositor must either be introduced by some person known to the bank or answer certain questions in reference to the purpose of the account, the

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amount of balance to be kept in the bank, etc. She must then fill out a signature card giving her name, address, business address, if any, and any other information that the bank desires. The depositor should sign her name on this card as she intends to sign her name on checks. It is best for the inexperienced person to practice a signature before going to the bank and to keep a record of the signature for reference. A change in the method of writing a letter or the writing of the given name at one time and simply the initials at another may cause the bank to refuse to cash a check.

Banks prefer that a married woman sign her legal given name and not the initials or given name of her husband with Mrs. prefixed. Ella G. Mason, wife of W. L. Mason, would preferably sign her name Ella G. Mason and not Mrs. W. L. Mason. Although this practice is not uniformly followed it is the best practice and must be followed in signing all legal documents, such as, deeds, mortgages, powers-of-attorney, leases, etc.

On opening the account a bank official usually makes out the first record of what is deposited. This is called a deposit ticket. But after the first deposit the depositor should make out a deposit ticket whenever a deposit is made. Every bank furnishes its depositors with deposit tickets that should be used when making a deposit. These deposit tickets are found in a convenient place at the bank and can be taken home and made out before going to the bank or can be made out at the bank. Money should be listed under the various headings given on the deposit ticket, usually bills, gold, and silver, but sometimes simply bills and specie or coin. Checks and anything else that the bank will take for deposit should be listed *separately* under the head of *Checks*. The items de-

DEPOSIT TICKET

FIRST NATIONAL BANK
OF CHICAGO*Deposited for account of**Alice E. Garner**June 10,* 19—PLEASE LIST CHECKS SEPARATELY AND SEE THAT THEY ARE
PROPERLY INDORSED

Gold		
Silver		
Bills	25	—
Checks		
<i>Union Nat'l</i>	50	—
	75	—

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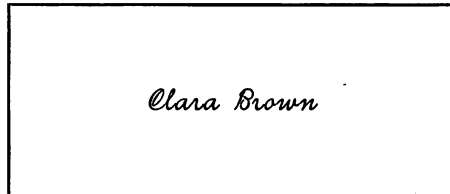
posited should be added and the total shown below. A simple form of a deposit ticket is given on page 45. Although the forms used by banks differ to some extent, some being much more detailed than others, one can easily understand the use of a new form by reference to the one illustrated. The pupil should obtain deposit tickets from several banks and compare them with the form given on page 45. These deposit tickets should be made out very accurately and it is best to destroy one and rewrite it rather than to hand in one that has erasures and figures marked over on it.

The depositor may deposit in her account any checks drawn on any bank of the city or on a bank of another city, as well as money orders, both U. S. and express, and bank drafts. No charge is made on city checks, money orders, or bank drafts, but a small charge may be made on out-of-town checks. This is usually not greater than 10c or 15c for amounts under \$100. It may be paid in cash or be deducted from the deposit according to the custom at the bank or the wishes of the depositor if the bank has no uniform custom. In taking checks for deposit, the bank does so with the understanding that if a check should be returned by the bank on which it is drawn because of "No funds," or because of a forgery, the amount of the check will be taken out of the depositor's account. Suppose, for example, that Grace Jackson has deposited in the National Exchange Bank a check drawn on the First National Bank. When the check is sent to the First National Bank, it is found that the signer of the check, C. D. Conner, has not sufficient funds in the bank to pay the check. The First National Bank then stamps the check, "No funds," protests it, and sends it back to the National Exchange Bank. It is then taken out of

Grace Jackson's account. This is usually done by mailing to the depositor a "Charge Ticket" which gives the particulars of the transaction.

All checks, bank drafts, and money orders must be indorsed by the depositor before they are deposited. To indorse a check, turn it over with the right hand holding the right-hand end of the check and draw the right-hand end towards the body. Place the indorsement on the left-hand end across the end of the check. There are two common forms of indorsement, the blank and the full or special.

The blank indorsement consists in writing the name of the payee, the one to whom the check is made payable on its face, and nothing else. If Clara Brown is the payee of a check which she wishes to indorse, she may simply write her name on the back about an inch from the left-hand end of the check, as follows :



Clara Brown

The full indorsement consists in writing the name of the person or bank to whom the check is to be transferred and certain words, such as, "Pay to the order of," as well as the signature of the depositor. For example, if Clara Brown wished to deposit a check of which she was the payee in the National Exchange Bank, she would write the full indorsement as follows :

<i>Pay to the order of</i> <i>National Exchange Bank</i> <i>Clara Brown</i>

Either kind of indorsement will be accepted by a bank but the blank indorsement should never be written on the check until it is taken to the bank, while a full indorsement may with safety be written on the check at any time before taking it to the bank. The reason for this is that a blank indorsement makes a check payable to any one, and, if the check is lost, it may be cashed by the finder before payment on it can be stopped. A full indorsement makes it necessary for the person in whose favor it is drawn, called the indorsee, to indorse it before it can be cashed. For the same reason, if the payee of a check wishes to transfer it to someone else and send it by mail, a full indorsement should be used.

When making the first deposit, the receiving teller, or other officer of the bank will enter the amount of your deposit in a small book called the pass book, as follows :

June	3	Deposit	50	—
------	---	---------	----	---

This is the only receipt that the depositor receives. Each time that a deposit is made the pass book should be taken to the bank with the deposit ticket and the items deposited. Before leaving the bank the depositor should examine the entry in this book to see that it is correct.

It sometimes happens that it is inconvenient to go to the bank to deposit a check. In that case, the check may be deposited by mail. The pass book need not be sent, but two de-

posit tickets should be made out exactly alike. One of these the bank will keep, the other will be stamped "Duplicate," signed by the employee receiving the deposit, and sent back as a receipt. If the depositor has no deposit tickets on hand, the check may be properly indorsed and sent with a letter, and the bank teller will make out the deposit tickets and return one as a receipt. Indorse any check sent to the bank in that way in full, as, "Pay to the order of National Exchange Bank," signed "Clara Brown."

If one should forget her pass book, she can make a deposit by making out two deposit tickets the same as when the deposit is made by mail. In either case, the duplicate deposit ticket should be taken to the bank with the pass book the next time that a deposit is made and the bank teller will enter the amount of the deposit in the pass book. It must be understood that as soon as the deposit is made, it is placed by the bank to the credit of the depositor, no matter whether it has been entered in the pass book or not.

Exercise 14. *a.* Anna Coulter, wife of James H. Coulter, wishes to deposit the following in the Commercial Bank, July 26, 19—: bills, \$25; silver, \$5; and a check in her favor, signed by her husband, for \$40. Make out the deposit ticket.

b. Show the indorsement of the check by a full indorsement.

Exercise 15. Minnie Fuller, wife of C. A. Fuller, has a check to her order for \$50. She wishes to pay a grocery bill to the Home Grocery Co., amounting to \$17.85, and receive the balance in money. The Home Grocery Co. cashes the check and returns \$32.15 to her. The company then transfers the check to the Evans Wholesale Grocery Co., which deposits it in the Merchants & Manufacturers Bank. Show the indorsement made by each party.

CHAPTER IX

MAKING PAYMENTS BY CHECK

ONE of the reasons for making a commercial deposit is that checks may be drawn on the bank in payment of bills. There are many reasons for paying bills by check. The principal advantages of making payments by check are as follows :

1. It does away with the inconvenience and risk of keeping large amounts of cash on hand.

2. The check acts as a receipt when returned.

The indorsement on the check and the " Paid " stamp of the bank constitute a receipt, when the check is returned by the bank at the end of the month. If a person desires a more definite receipt, a rubber stamp may be obtained from a stationer that will stamp the following on the back of the check on the left end just above where the indorsement will be written :

" This check is in payment of bill (or bills) of _____
No receipt necessary."

By filling in the date of the bill or bills for which the check is given, the cancelled check will constitute the very best kind of a receipt.

3. The check stub, and the checks when returned, furnish information in regard to payments that is easier to find than receipted bills or receipts when payments are made in money.

4. The check furnishes a safe means of paying a bill when the collector is not known.

Unless the housekeeper receives her allowance for household expenses weekly, and therefore is not compelled to keep much money on hand, it is a great advantage to make the larger payments by check. Every woman should know how to do this properly and how to keep her account with the bank so that she can tell at any time just what balance she has in the bank.

When the first deposit is made the depositor is given a check book which is furnished free of charge by the bank. This consists of a number of stubs with checks attached by perforations, or in a smaller-sized check book, the checks and stubs may alternate. The check stub is the depositor's record of the check that she has drawn and should be filled out just as carefully as the check itself. The check stub should always be filled out first, then the check. In opening a check book, the deposit should first be entered, then, when a check is to be written the check stub should be filled out like the illustration on page 52. The check is then written, care being taken to see that all the items on the check are the same as those on the stub. No spaces should be left blank after the name or after the amount written in words, but they should be filled in with a wavy line. The amount should be written in words and in figures. Ten dollars should never be written simply \$10. but \$10⁰⁰. \$10.75 should be written \$10⁷⁵. The amount should be written in words with cents written as a fraction over 100. Place all amounts close to the dollar sign. See that the name of the person, firm, or company in whose favor the check is written is spelled correctly. Observe bill and letter heads carefully in order to get the names correct.

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It is usually best not to write a check for less than one dollar but if it is necessary, write the amount in figures with a cipher before the decimal point, as \$0.75, and cross the word Dollars out and write the amount in words, as, "Seventy-five Cents."

If the depositor wishes to draw the money from the bank herself it is

just as necessary to draw a check as if the depositor were paying some one else. The check should be written "Pay to the order of Cash." It need not be indorsed and it is not necessary to present the pass book with it. Or, it may be made payable to the order of "Self," and indorsed when presented at the bank.

Every woman should keep her account with the bank on the check stub so that she may know at any time just how much she has in the bank. Each time a deposit is made, it should be added to the previous balance and each time a check is written, the amount of the check should be subtracted. In order to guard against forgetting a deposit or a check, the addition or subtraction should be made as soon as the deposit is entered or the check is written. If the bank account becomes low, great care should be taken to prevent writing a check for more than the depositor has in the bank. If there is some doubt about the correctness of the balance as shown by the check stub, it is best to test the

CHECK STUB

\$ <u>0.75</u>		No. <u>35</u>
		<u>September 12, 19—</u>
To	<u>C. L. Hume</u>	
For	<u>Groceries</u>	
Balance	<u>42</u>	<u>80</u>
Amt. Deposited . .		
Total		
Amt. Check . . .	<u>5</u>	<u>75</u>
	<u>37</u>	<u>05</u>

CHECK

First National Bank OF CHICAGO		No. <u>35</u>
<i>September 12,</i> 19—		
Pay to the order of <u>E. L. Hume</u>		\$ <u>5⁷⁵</u>
<i>Five and $\frac{75}{100}$</i>		~~~~~~Dollars
<u>Clara Brown.</u>		

correctness of the balance in another way. Start with the balance at the beginning of the month, as that is correct if it has been proved with the bank's statement to the depositor. To this add all the deposits made during the month as shown by the pass book. Find the sum of all the checks written during the month and subtract that sum from the sum of the balance at the beginning of the month and the deposits made during the month. If the balance is the same as found by the other method, one can be reasonably sure that it is correct. If it is not the same, the mistake should be found. Care should be taken not to, at any time, overdraw one's account. It shows a lack of knowledge of bank business and may cause the person to whom the check is payable, as well as the depositor, considerable inconvenience. In many states, too, it is a criminal offence to deliberately overdraw one's account.

Several other cautions should be added to those already given. Never draw a check in blank, *i.e.*, sign it and let

some one else fill in the name or the amount. The signer must stand any loss if the person to whom the privilege is given fills it out for more than the amount agreed upon.

Never alter a check after it has been written. If a check has been written incorrectly, it should be destroyed and a new one written. Correct the stub, tear a check from the back part of the check book, and rewrite the check.

In paying a collector for a bill from some company, always make the check payable to the company, not to the collector.

In writing a check payable to the treasurer or other officer of a club, society, or church, the check may be made payable to the name of the person with the words, Treasurer, ——— Club or it may be made payable to the name of the club, society, or church or simply to the Treasurer of ——— Club without the name of the treasurer being given. For example, the check might be made payable to "Scott Woman's Club," to the "Treasurer, Scott Woman's Club," or to "Helen Carr, Treas., Scott Woman's Club."

If a person wishes to pay taxes, to pay a note due at another bank, or to pay some one for some property and receive title to it at once, the check should be certified before presenting it. To do this, the check is written out in the usual way and taken to the bank. The check is there stamped, "Good when properly indorsed" and signed by the cashier or assistant cashier. The bank at once takes the amount of the check out of the drawer's account and becomes responsible for its payment.

In writing checks payable to a professional man, such as a doctor or dentist, no title should be written either before or after the name. A check to pay Dr. Claude B. Root should be made payable to Claude B. Root.

At the end of every month the bank renders to each depositor a statement of his account. Most of the large banks render this statement on a special bank statement form that shows the balance at the beginning of the month, the deposits made during the month, the checks paid by the bank during the month, and the balance at the end of the month. This statement is usually placed in an envelope with the canceled checks and may be obtained from the bank at any time after the first of the month. Sometimes the statement is written on the outside of the envelope instead of on a separate sheet. Some banks require depositors to leave their pass books at the bank monthly to be "written up." To write up the pass book the bank uses the pass book to show the state of the account instead of using a separate statement. The checks are either listed in the pass book on the right-hand page opposite to the deposits or more commonly are simply listed on an adding machine slip, which is returned with the pass book, and the total of the checks is found and entered on the right-hand side. The balance is then found by subtracting the total checks from the balance at the beginning of the month and the deposits. The balance is then entered under the checks, usually in red ink, and the pass book is ruled. This balance is then brought down below to begin the next month.

As soon as the statement is obtained from the bank, the depositor should compare every deposit and check with his record on the check stub and make a note of any checks that have not been returned. If all the checks have been returned, of course the bank balance and the depositor's check book balance should agree. But if some checks that were written during the month were not cashed at the bank they will not be included in the bank's statement. These checks should be listed by number, payee, and amount on the back

of the check stub opposite to where the balance at the end of the month is written. The sum of these subtracted from the bank balance should equal the check stub balance. It is best to mark each of the stubs O K as the checks are compared with the check stubs. The depositor must remember that, although she has more in the bank, in a case of this kind, than her check stub shows, it is unsafe to draw checks up to the amount of the bank balance as the checks that were written during the month and that were not cashed will be cashed soon after the beginning of the month. If the bank statement is found to be incorrect it should be returned at once to the bank for correction.

Exercise 16. *a.* Lulu Bond, wife of Dr. Charles Bond, has a balance of \$46.80 in the Union National Bank. She wishes to draw out \$10 for personal use. Write the check stub and the check. Number them 65 and use your city and the current date.

b. Mrs. Bond wishes to pay her grocer, J. N. Darr, \$16.75. Write the check stub and the check. Use your city and the current date.

c. Mrs. Bond, at the end of the current month, finds from her bank statement that she has a balance amounting to \$57.80 instead of the amount shown by her check book. In comparing her checks returned with her check stubs she finds that the check for \$16.75, given in (*b*), and a check, number 60, in favor of C. L. Lake, for \$21, were not returned. Prove the correctness of the balance on check stub No. 66.

QUESTIONS FOR DISCUSSION

1. What steps is it necessary to take in opening a bank account?
2. What is the object of a signature card? How should it be filled out?

3. What is a deposit ticket? How is it made out?
4. What will be taken by a bank for deposit? What is the effect of depositing a check that is afterwards returned marked "No funds"?
5. Give two kinds of indorsements commonly used. When should each be used? Why?
6. What is a pass book? Who makes the entries in it? Of what value is the pass book?
7. How may a deposit be made if the depositor has forgotten her pass book? May a deposit be made by mail?
8. What are the advantages of making payments by check?
9. Explain the use of the check book.
10. What points should be observed in writing checks?
11. How should a check be drawn when the depositor wishes to draw money from the bank?
12. How should a depositor keep her account with the bank?
13. What are the dangers of overdrawing one's account?
14. What is the value of the monthly bank statement?
15. What is meant by writing up the pass book?
16. How should the check book be proved with the bank statement?
17. What is the value of a canceled check?

CHAPTER X

ENVELOPE AND CARD SYSTEMS OF KEEPING ACCOUNTS

THE use of the columnar cash book to record household receipts and expenditures is considered the best method and the easiest to operate. It would no doubt be preferred by the majority of housekeepers. But there are other methods that use the same principles in different ways that some housekeepers prefer. Since the two requisites of a good system of keeping household accounts are an accurate record of receipts and expenditures and an easy method of ascertaining the amount expended for each purpose, it follows that any method that fulfills these conditions may be used to suit different conditions and different individual tastes. The envelope and card systems illustrate other methods of keeping a record of the receipts and payments and of summarizing the expenditures under the various heads. These systems are not at all necessary if the cash book and summary already illustrated are used. Every system, however, should be based on a family budget. It should be a guide to expenditures, but should not be followed so slavishly that the housekeeper will worry over every little expenditure above the budget allowance or every little amount that cannot be accounted for. It must be emphasized, however, that little can be accomplished unless the work is done systematically and accurately.

THE ENVELOPE SYSTEM. When the income is received weekly or withdrawals are made from the bank weekly for

expenditures, and purchases are made for cash or paid for weekly, the envelope system may be used. This involves the use of an envelope for each purpose outlined in the budget. On the outside of the envelope should be written the name of the budget division and the weekly budget allowance. When the weekly income is received it is divided up into the budget allowances and the estimated amounts of money placed in the respective envelopes. To accompany each envelope there should be a card, which should be kept in the envelope, on which is recorded the receipts and expenditures for the purpose designated on the outside of the envelope. The card should be the ordinary two-column cash card that is ruled the same as the two-column personal cash book

Clothing

Allowance \$ 5⁰⁰

19—					
<i>Oct.</i>					
1	<i>Balance</i>		75		
1	<i>Allowance</i>		5	—	
3	<i>Hat, Mr. C.</i>	4.25			1 50
4	<i>Shoes, Baby</i>				60
5	<i>Ribbons, Florence</i>				20
5	<i>Stockings</i>	2.95			50
7	<i>Dress Goods, Mrs. C.</i>				2 50
7	<i>Buttons</i>				20
	<i>Forward</i>		5 75	5	50

already explained. In the first column is placed the balance, if any, from the previous month and the amount received for the current week. In the second column is placed all expend-

itures from this fund. The balance should be found several times a week and the cash proved with the actual cash on hand in the envelope. In some cases one or more cards may be needed for a week, as in the case of food, while in others, such as rent and car fare, but one card will be needed for a month. The cards should be taken from the envelope and filed monthly. If all of the cards for the same purpose are placed together month after month in proper order, they will be much more valuable as references. A weekly card for clothing would appear as shown on page 59.

The balance should be placed in small figures just to the left of the Received column. The card should be balanced monthly and the balance carried forward to a new card.

When a card is filled the total of each column should be forwarded to a new card unless it is the end of the month. With these cards a Summary card should be used for each subject to which is transferred monthly the total expenditure for that purpose.

While this is a simple method and, it might seem, easy to operate, it presents some difficulties. In the first place, it is not always an easy matter to secure change with which to make the exact weekly division for the envelopes. Second, it is not always possible to make exact change from the proper envelope, especially is this true when fruit, vegetables, etc. are purchased at the house instead of from the store. This often leads to borrowing from one envelope and failing to return the proper amount. In the same way, the allowance for some purpose may be "short" and the necessary amount is borrowed from some other envelope. The third disadvantage of this method lies in the necessity of keeping considerable money on hand all of the time and the danger of loss on account of this. This system, if carefully followed,

will give all the information needed to the housekeeper in managing the home, but it is cumbersome and may cause considerable anxiety concerning the safe-keeping of the money. It has one very decided advantage for many persons in that it concretely forces the attention of the housekeeper to a comparison of the actual expenditures for any purpose with the budget allowance and thus helps the housekeeper to keep within the allowance.

THE CARD SYSTEM. In the cards used in the envelope system the cards were made to act as entry cards and also to show the total expenditures for each purpose. Without the use of the envelopes, the same thing may be accomplished by the use of a card filing system that has many advantages. To use this system successfully, one should obtain from a stationer a wooden or pasteboard filing box of a size to fit the cards to be used. The best-sized card to use is either 3 in. by 5 in. or 4 in. by 6 in. With the filing box a set of index cards should be obtained. A card should then be made out for each division of the budget, corresponding to the distributive columns of the columnar cash book explained in Chapter VI, or very similar to the headings used there. The cards used for this purpose may be almost any style of card ruled with a money column but the ordinary ledger ruling is preferable. Each of these cards would be styled by a bookkeeper as an *account*. He would speak of the Food account, the Rent account, etc. These ledger cards are not, however, cards of entry but rather cards of transfer. The entries should be made on cash cards or in a cash book, in the order that they occur, in order to furnish information concerning receipts and payments and the balance. Receipts may be entered on one card and payments on another, or better, the receipts and payments may be entered on the

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same card in the same form as the two-column cash book. The author believes that for this purpose a small loose-leaf or bound cash book is to be preferred to a card or cards.

The one important point of difference in the use of this cash book is that every payment is classified as it is made and also explained. The classification depends upon the budget classification and the card ledger accounts or headings. For example, if 40c was paid out for meat, it would be entered as follows in a two-column cash book :

Oct.	2	√	Food	2 lb. Beef	||	|	||	40
------	---	---	------	------------	--	--	--	----

or, if separate accounts were kept for different divisions of food, such as meat, milk, butter, vegetables, fruit, flour, dry groceries, etc., *Meat* would be the name of the account and the explanation would be the same. Or, if \$3 was paid out for a hat for Mrs. Brown, it would be recorded as follows :

Oct.	5	√	Clothing, Mrs. B.	Hat	||	|	||	3	—
------	---	---	-------------------	-----	--	--	--	---	---

It will be seen by these examples that in the cash book the first wide column after the date column is used for the name of the classification, that is, the name of the account, and the next column for the explanation.

These records, called by the bookkeeper entries, must then be transferred to the ledger cards. This is called by the bookkeeper *posting*. Posting should be done by the housekeeper often and the work should not be allowed to accumulate. This can best be accomplished by setting aside a certain time each day to make the entries and to post them. To post, the card account is taken out of the

Food

19- Oct. 2		9	40						
---------------	--	---	----	--	--	--	--	--	--

Allowance, \$7.50

[illegible]

In studying these two postings the student will observe that the figure 9 placed before the amount represents the page of the cash book from which the entry was transferred. The article bought may be written in each account, but it is hardly necessary under an account like Food or its subdivisions, but for accounts like Clothing, Miscellaneous Expenses, or Furniture and Furnishings it is quite necessary that the items bought be recorded. After each item has been transferred from the cash book to the proper card ledger account, it should be checked in the cash book as shown in the illustration. Bookkeepers use simply the left-hand side of the ledger account for accounts that represent payments for expenses, but, unless an elaborate proof is to be made, such as the bookkeeper makes, both sides of the account can just as well be used. When the left-

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hand column is filled, it is totaled and forwarded to the right-hand column. When the card is filled, the total of it is transferred to the left-hand side of another card and so on. In each case the last card should be placed in the ledger file in front of the one from which it was transferred.

Exercise 17. Use a two-column cash sheet or card and enter the following transactions in it by naming each account affected and explaining it. Then transfer or post the items to the ledger cards as explained in this chapter. Open up all the accounts necessary, but write an explanation of the article purchased in the following accounts only: Miscellaneous Expenses, Clothing Account for each member of the family, Books and Magazines, Recreation, Health, and Furniture and Furnishings. The transactions represent those of the J. A. Bond family consisting of Mr. Bond, Mrs. Bond, and two children, James and Gladys.

- November
1. Balance from October, \$52.80.
 1. Received the monthly salary, \$110.
 1. Paid rent of house for November, \$20.
 2. Paid for dry groceries, \$5.75; vegetables, 30c;
1 T. coal, \$5.25; magazine, 15c; meat, 23c.
 5. Paid for church, 15c; milk, 6c.
 6. Deposited in savings fund, \$5; in savings bank for life insurance, \$3.75.
 7. Paid for meat, 45c; fruit, 20c; subscription to *Good Housekeeping*, \$1.50.
 8. Paid for washing, 75c; gas bill, \$1.85; hat for James, 75c.
 9. Paid for soap, 25c; medicine, 50c; pillow cases, \$1; meat, 30c.
 10. Paid for book, \$1.25; groceries, 40c; butter, 32c; suit, Mr. Bond, \$18.75.
 11. Paid for meat, 45c; fruit, 25c; shoes, Mrs. Bond, \$3; stockings, Gladys, 50c; picture, \$1.75.

- November 12. Paid for church, 30c.
13. Paid for telephone, 10c; vegetables, 20c; rubbers,
Mr. Bond, 80c; concert, 20c.
15. Paid for meat, 30c; electric light bill, 95c; doctor,
\$1.

Balance the cash book. Retain the cash sheets and the ledger cards, for they will be used in the completion of this exercise in the next chapter.

CHAPTER XI

KEEPING CREDIT ACCOUNTS

IN opening up a charge account at a store, the applicant is usually required to fill out an application for credit. This contains the name and address of the person, the position held, or if a married woman, the position held by her husband, and the names and addresses of two or more references of whom the store may inquire. Other information is sometimes called for, such as, the salary of the applicant or of the applicant's husband, if the applicant is a married woman, the length of time employed in the present position, by whom employed previously and for how long. Blanks and any information may be obtained from the credit department of the store. If the application is satisfactory, the store will send a letter to the applicant granting credit.

Care should be taken in making purchases on account not to exceed the budget allowance for the particular class of articles purchased. This can best be done by a careful scrutiny of the bills received and by the use of credit cards as explained below.

Cards furnish the best means of keeping a record of purchases on account, especially if no bill is received with the purchase, also for installment purchases, investments, purchases of property, etc.

Ordinarily, when a purchase is made on account from a store a bill is made out by the clerk and given to the

purchaser. These bills should be preserved until they are settled in full. Grocery, meat, and other provision stores use the duplicate bill system and do not render a statement of the items purchased at the end of the month. But department stores and other large retail stores render a statement at the end of the month of all items purchased during the month on account. The daily purchase bills should be put in some convenient place as they are received, such as on a spindle, and at the end of the month compared with the statement before payment is made, or if no statement is received, the bills should be computed to see that the total at the end of the month is correct. The statements and receipted bills should be filed in some convenient file for reference. The most satisfactory file to use for this purpose is the ordinary letter file which can be purchased for from 25c to 50c. It can be closed up like a book and being supplied with index sheets, it is a simple method of filing. More elaborate methods may be used but they necessitate a filing desk or cabinet.

The use of credit cards is to give information relative to the state of the account with any creditor. It is in addition to and supplementary to the system used as it can be used with the columnar cash book system, the envelope system, or the card ledger system. A record of the purchase is first made in the day book or journal explained in Chapter VI. This record may be in a bound book, in a loose-leaf book, or on a card, but the card is the poorest form of the three. This first record or entry should contain all the important facts relative to the contract, as, the date of purchase, seller, articles bought, terms of payment, date of payment, interest rate, if any, and other important elements. This record should then be transferred to a card headed with the name

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of the creditor. Suppose that a piano is purchased of the C. E. Shore Co. for \$350, with interest at 5%. The terms are: \$10 down and \$10 per month on the first day of each month; interest payable after the principal has been paid in full. Suppose that the purchase was made on Sept. 15. The card would be opened up by transferring the \$350 to the right-hand side of the ledger card. The reason that the right-hand side is used is that bookkeepers call that the credit side and the C. E. Shore Co. has given credit and is therefore spoken of as a creditor of ours. A second reason, as we have learned, is that when a payment of \$10 is made it would be entered on the Payments side or column of the cash book and transferred to the left-hand side of the ledger account the same as a payment for food, clothing, etc. This is called charging or debiting the account. The ledger card for this record would appear as follows after three payments had been made:

C. E. Shore Co.

386 Broadway, City.

Terms: \$10 on the first of each month.

<i>19—</i>					<i>19—</i>				
<i>Sept.</i>	<i>15</i>	<i>Cash</i>	<i>11</i>	<i>10</i>	<i>Sept.</i>	<i>15</i>	<i>Piano</i>	<i>D 2</i>	<i>350</i>
<i>Oct.</i>	<i>1</i>	<i>"</i>	<i>13</i>	<i>10</i>					
<i>Nov.</i>	<i>1</i>	<i>"</i>	<i>17</i>	<i>10</i>					

It must be remembered that the ledger credit record is a supplementary record and that the payment should be entered on the cash book under the head of the Furniture or

Piano account, and with the name of the company as an explanation, as follows :

Sept.	15	Furniture (or Piano)	C. E. Shore Co.			10	—
-------	----	-------------------------	-----------------	--	--	----	---

The \$10 should be posted to the Furniture account and to the memorandum account of the C. E. Shore Co.

In the same way, the purchase of a house and lot from the West Realty Co. for \$3800, with a payment of \$300 down and \$30 per month, with interest at 5%, should be entered when purchased on the credit side for \$3800 and on the debit side for \$300 when the payment is made. Each monthly payment would be entered in the cash book to Property and posted to the debit side of that account and also to the debit side of the memorandum account of the West Realty Co. As the interest is adjusted yearly, the entry for the interest on the amount owed and on the payments would be made at the end of the year. The method of computing the interest will be explained under "Buying a Home" in Chapter XVIII.

Exercise 17 (Concluded). Use the same cash sheet or card and ledger cards as for the first part of this exercise in the last chapter and enter the following transactions.

- November 16. Paid for dry groceries, \$4.32; talcum, 15c; meat, 10c.
 18. Paid for theater, 75c; rug, \$3; coat for James, \$5; fruit, 15c.
 20. Paid for car tickets, \$1; washing and cleaning, \$1; meat, 35c.
 21. Bought a victrola of the C. Winter Co., on the installment plan for \$50, and records for \$8. Paid \$9 down and agreed to pay \$9 the second month and \$5 per month thereafter on the 21st of each

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month until the entire amount is paid. Enter this purchase on a daybook sheet or card. Open a card account for the creditor in addition to the regular account for Furniture, or better for "Victrola and Records" or "Musical Instruments."

- November 23. Paid for meat, 30c; benevolence, 50c; tooth paste, 20c.
24. Paid for dress goods, Mrs. Bond, \$3.65; trimmings for dress, 75c; coffee pot, 75c.
25. Paid for groceries, \$2.15; meat 60c; fruit, 30c; photoplay, 15c.
26. Paid for church, 20c; street car ride to park, 25c.
29. Paid for meat, 30c; washing, 75c.
30. Bought a house and lot of the Hartman Realty Co. for \$3000, payable \$300 down and \$25 per month till paid, with interest at 5%. Drew \$300 from the National Exchange Bank, Savings Department, and made the first payment. Enter this purchase on the day book card or sheet used for the Victrola purchase, with a full explanation of the contract. Enter the \$300 as cash received from Savings and then enter the \$300 paid on the property. Open a new account for Property and also a new credit account for the Hartman Realty Co. and post the entries to the accounts.
30. Paid for milk, \$3.15; moving expenses, \$6.

Balance the cash book. Find the sum of all the expense cards, not including the two memorandum accounts for the C. Winter Co. and the Hartman Realty Co., and subtract the sum from the *total* cash received this month. The difference should be the same as the cash balance. If it does not agree, the student should check the addition of each card and the posting to each card if the mistake cannot be found without doing so.

QUESTIONS FOR DISCUSSION

1. What are the essential elements of any good system of keeping household accounts?
2. Under what conditions may the envelope system be used to advantage?
3. Explain the use of the envelope system.
4. What accounts should be kept in connection with the envelope system?
5. What are the disadvantages of the envelope system?
6. What is the purpose of the ledger card? How is it used?
7. How are entries made in the cash book when the ledger cards are used?
8. What is posting? How is it done?
9. What is meant by charging an account?
10. What is meant by a credit account? What is the object of such an account?
11. On which side of a credit account is a purchase from a creditor entered? Why?
12. On which side of a credit account is a payment on the account entered? Why?
13. Is it necessary to keep card credit accounts for the ordinary purchases on account when bills are received for all purchases?
14. In using the card system of keeping household accounts, how can the correctness of the posting to the various expense accounts be proved with the cash balance at the end of the month?
15. What should be done if the expense accounts do not prove with the cash balance?

CHAPTER XII

THE HOUSEHOLD INVENTORY AND FIRE INSURANCE PROTECTION

THERE are several important reasons why every household should keep an inventory of the household goods and furniture. The most important of these are the need of an inventory for insurance purposes, the necessity of an inventory before making out the family financial statement, and the advantage of having an inventory in making estimates and allowances for buying new furniture.

Its importance for fire insurance purposes may be seen from the following quotation from the standard insurance policy of the state of New York: "If fire occur, the insured shall give immediate notice of any loss thereby in writing to this company, . . . make a complete inventory of the same, stating the quantity and cost of each article and the amount claimed thereon."

The necessity of a household inventory for making out the family financial statement and its advantage in buying new furniture will be seen in the chapters that follow.

THE HOUSEHOLD INVENTORY. A household inventory is a list of the articles on hand, the number of each, and a short description of the article, when necessary, the date of purchase, the cost, and the present value. In taking the inventory it is best to use a book about seven inches wide, with every other leaf a narrow leaf about four inches wide. Books

of this kind can be purchased, or they can be made by cutting off every other leaf of an ordinary notebook. The object of this is to save the rewriting of the articles and to furnish a better means of comparison year by year. In this way the names of the articles need not be rewritten oftener than once in every five or more years.

The inventory should be taken by rooms, with the exception of personal effects including clothing and jewelry. The house should first be outlined as to rooms and a separate page or pages used for each room. The following is suggestive :

Hall	Front Bedroom
Reception Room	Middle Bedroom
Living Room	Back Bedroom
Dining Room	Attic
Kitchen	Basement
Bathroom	Personal Effects
Pantry	

Let us suppose that the family first decided to take inventory at the end of the year 1916. The illustration on page 75 shows an inventory of a living room, with a form for its use continuously for several years by making a deduction each year for depreciation. In studying the form illustrated here it will be noticed that a short description of each article is given in naming the article. The date of the purchase is given by month and day when known and in other cases simply the month is given. The value Dec. 31, 1916 allows for a depreciation depending on the use of the article and the length of time that it has been in use. It is usually best in estimating the depreciation to take off a certain per cent of the cost each year depending upon the length of time that the article is estimated to last and what, if any, will be its worth when it is sold second-hand. It is

difficult to fix any per cent to be deducted, as, the quality of the article, its use, and proper attention to cleaning and repairing differ so materially. It is well known that some furniture will last a lifetime under ordinary usage, while other furniture that, perhaps, cost little less will go to pieces in a few years. Of course, rugs, carpets, curtains, and other furnishings do not last as long as furniture, and a greater per cent must be taken off each year. The housekeeper must judge by experience how much must be deducted each year for depreciation. Care should be taken in inventorying table and bed linen and articles of personal clothing, as they must be replaced often. If anything of this kind wears out or is discarded before the full estimated depreciation is taken off, the value left on the books must be entirely deducted. If, for example, four tablecloths are inventoried at \$3 each, and they are expected to last four years, a deduction of \$3 would be made each year. At the end of the third year, they would be inventoried at \$3. But, suppose that three are entirely worn out and the fourth is worth but little, the inventory value should be the value of the tablecloth remaining, say, 75c.

In inventorying books, pictures, linen, china and silverware, musical records and rolls, it is best to list them in a separate place in the inventory book and by rooms simply give the total of each kind. This is especially true of these articles if there are a great many to be inventoried.

The total for each room should be found and placed at the foot of the page, no matter whether the page is full or not. When new articles are bought, they should be added to the list on the same page, or on a new one if the page for the previous year is full. A summary page at the close of the book should be used to find the total of the different rooms.

INVENTORY, LIVING ROOM

NO. OF ARTICLES	NAME AND DESCRIPTION	DATE BOUGHT	TOTAL COST	VALUE DEC. 31, '16	VALUE DEC. 31, '17	VALUE DEC. 31, '18	VALUE DEC. 31, '19
1	Wilton Rug 8'3" by 10'6"	May 1, '16	32 50	31	29		
2	pr. Net Curtains 4.00	June, '15	8	6	4 50		
1	Oak Stand	Dec., '15	9	8 40	7 80		
1	Electric Lamp	Jan. 10, '16	15	14	13		
1	Oak Rocker	Sept., '14	8	6	5		
1	Upholstered Rocker	Feb., '15	12	10 50	9 50		
3	Straight Chairs 3.00	Sept., '14	9	7 80	7 20		
1	Oak Taboret	Dec., '15	1 50	1 40	1 30		
1	Oak Victrola	Dec. 24, '16	75	75	70		
10	Victor Records 1.50	Dec. 24, '16	15	15	12 50		
6	Victor Records 1.00	Dec. 24, '16	6	6	5		
12	Victor Records .75	Dec. 24, '16	9	9	7 50		
1	Pastel Picture, Marine	Aug., '14	6	5 20	4 80		
1	Oil Painting, Landscape	May, '14	9	7 50	6 90		
3	Children's Pictures, framed	Dec., '15	6	5 60	5 20		
			221				
1	Oak Morris Chair	Dec. 1, '17	19 50		19 50		
			240 50				
				208 40	208 70		

This should be continuous, also, so that comparison may be made year by year.

Articles bought on the installment plan, such as furniture, musical instruments, books, etc. should be inventoried at the contract price and deduction made from it each year for depreciation, no matter how much has been paid on it. This is true even if, legally, the goods are not the property of the buyer until they are fully paid for. As will be seen under the discussion of fire insurance, articles purchased on the installment plan are at the risk of the buyer and the buyer must pay for them if they should be destroyed by fire before they are paid for.

FIRE INSURANCE. At the beginning of this chapter, mention was made of the advisability of keeping a household inventory for insurance purposes and the reason was given. In addition to that, it is, in many cases, difficult to tell how much to insure the goods for if no inventory is kept.

Insurance companies will not insure personal property or real property for more than from two-thirds to three-fourths of its value. In taking out insurance, it is best to find the inventory value and then take about three-fourths of it to get the amount of the insurance risk. The amount paid to the insurance company for carrying the risk is called the premium. It is usually stated as so much for each \$100 in the risk and sometimes an extra fee for writing the policy. The rate depends on the kind of building, its use, its nearness to other buildings, and the fire protection in the city or locality of the city. For example, suppose that household goods are inventoried at \$1200 and are insured for three-fourths of their value for 40c for each \$100. The amount of the risk would be three-fourths of \$1200, or \$900. The premium to be paid would be 9 times 40c or \$3.60. This

would be the premium per year. But the property could be insured for three years at once for 80c for each \$100. A saving of one year's insurance is made in this way. Persons that lease property do not need to be afraid to take out insurance for three years at one time on personal property as the insurance on household goods may be transferred to a new location by simply getting a permit from the insurance company, without extra charge. In the same way, if a house that is insured is sold, the insurance may, by permit from the company, be transferred to the buyer.

The standard insurance policies contain certain provisions in regard to the use of the property, etc. that must be observed or the insurance may be of no effect. For this reason, every person insuring property should read the most important provisions of the policy. Rules in reference to alterations, change in the use of the property, as, from a dwelling house to a boarding house, the giving of notice to the company in the case of vacating it, the storing of gasoline, etc. are important provisions that should be understood.

It must be understood that in case of a fire loss the amount of the insurance is simply the maximum amount that the insurance company can be called upon to pay. If there is a partial loss, the insured should be able to furnish an itemized statement of the goods destroyed and their value. It is almost as important in the case of a total loss, as, in all but a few states, the insurance company can demand an itemized statement of the loss even when it is total. The advantage of having a complete record in inventory form can readily be seen.

Whenever the family maintains a safety deposit box at some bank, the inventory, fire and life insurance policies, and any other valuable papers should be kept there instead of at

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home. They may be examined at any time during banking hours and are safe at all times. The cost is not great and it may save many times the expense if valuable papers are saved from destruction.

Exercise 18. *a.* Make an inventory of the articles in your home in the living room, dining room, and kitchen at the cost price of each. Find the present value of each article and of each room by deducting 7% on the furniture, 8% on rugs, 10% on carpets, 20% on curtains, 5% on piano, 6% on pictures, 5% on books, 10% on china, and 15% on kitchen utensils for each year that the article has been used.

b. Make an inventory of the articles in your cooking room. Your teacher will assist you in finding the values and in taking off the depreciation.

Exercise 19. *a.* The household goods of a family are inventoried at \$930. They are insured for two-thirds of their value for three years at 75c for each \$100 in the risk. Find the amount of the premium.

b. A building cost \$4000 three years ago. The annual depreciation taken off has been 3% of the cost. If the property is insured for two-thirds of its present value at 38c per \$100 for one year, and a charge of one dollar is made for writing the policy, what is the cost of the insurance?

CHAPTER XIII

THE FAMILY INCOME AND FINANCIAL STATEMENTS

THE various methods of keeping family accounts that have been explained give a good view of the expenditures and their comparison with the family budget from month to month. But at the end of the year this information should be presented in statement form so as to show at a glance the income and expenses for the year. This statement is called a statement of Income and Expenses. It is also necessary for the housekeeper to know what the real value of the home plant is. This is found by making a statement of Assets and Liabilities.

Before explaining these statements it will be necessary to explain the meaning of certain terms to be used. In the first place, a statement of Income and Expenses is not the same as the summary of receipts and expenditures used with the columnar cash book in Chapter VII. The difference between a statement of receipts and a statement of income is that the statement of receipts must include everything received, from whatever source; while a statement of income should include only what was received during the year as a result of labor or of money earned during the year. The principal items of income of a household are wages for the regular employment, amounts received for special work, interest on savings or from investments, rent received from property owned, rent of rooms and amounts received from boarders, income

from garden, poultry, etc. Money drawn from a savings account that represents savings of previous years or of the current year is not income although it is a receipt of cash. Neither is money borrowed from the bank or from an individual a part of the income although it is a receipt of cash.

A distinction must also be made between expenditures and expenses. Everything paid out is an expenditure of money, but nothing is an expense unless it is money paid out that is used up in running the home. A payment for anything of fixed value added to the home plant or an expenditure that is still represented in the worth of the home plant at the end of the year is not an expense. For example, a payment of money for any of the ordinary *expenses* of the budget, such as, payments for food, rent and carfare, fuel and light, washing and cleaning, miscellaneous operating expenses, including interest on money borrowed to pay debts or to pay the running expenses, payments of money for clothing to replace clothing worn out, magazines and papers, but not books, recreation, church and benevolence, and health is an expense of running the household. But a payment of money for a property, for furniture or furnishings, for books and musical instruments, for life insurance, for investments, and for savings is an expenditure but not an expense. Interest paid on property purchased or on a piano or on furniture or anything of that kind is often considered a part of the cost of the property but that is a poor method of treating it. If property is purchased on payments with interest, the use of the property or the income from the property should be offset by the amount paid for interest on the property. So important is this that it would not be considered incorrect to charge the interest paid on property bought as rent. Interest paid on

furniture or musical instruments should also be considered an expense. If it were added to the cost of the article, it would make the cost of the article for inventory and insurance purposes greater than the actual value of the article. Interest must be paid either because the working funds are not sufficient to purchase what is desired or because it is desired to leave money in a savings account or in an investment rather than to pay cash for the article. The income from the savings or from the investment would offset the interest on the article purchased with interest. But interest paid on property during the construction period and before the property is ready for occupancy may be considered a cost of the property.

In making a statement of Income and Expenses, everything earned during the year must be used whether the cash has been received for it or not, so long as the claim is a good one. For example, suppose that A is employed in December to do some special work at night in addition to his regular employment. He is not to receive payment for this work till it is entirely completed. If it is not completed by the end of the year, he will not receive payment for his work till the next year, but a fair estimate of the value of the work already done should be included in the income. In the same way, interest on an investment earned but not yet received should be computed till the end of the year, and the amount used as a part of the income. Also when insurance is paid on furniture or property for more than a year at a time, the unexpired insurance should be considered as an asset and not as an expense. It will be seen from these explanations that the income may be more than the actual cash received or it may be less.

In the same way, any expense incurred during the year

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must be considered an expense of the year, no matter whether cash has been paid for it or not. If, at the end of the year, the family owes a doctor's or dentist's bill, or a bill for groceries or meat, it must be added to the expenses already paid to find the real expenses for the year. Income for the year earned but not yet received, and expenses for the year not yet paid are called by bookkeepers accrued inventories.

In addition to these expenses a proper statement of expenses must include a fair charge for depreciation on furniture, musical instruments, and on real property. Clothing must be replaced so often that it is usually best to revalue it and consider a large part of the money expended for clothing each year as an expense instead of attempting to take a depreciation on it. In the last chapter the method of taking the household inventory was explained and the deduction from year to year for depreciation was shown. Care must be taken in finding the depreciation for the year not to include in the value to be deducted from last year's value any new articles purchased during the year. For example, in the illustration on page 75, to find the depreciation for the year 1917, the total inventory for 1917, of \$208.70, should be lessened by the value of the new article purchased during the year, \$19.50, leaving a difference of \$189.20, the value of the articles on hand from 1916. The depreciation for 1917, is then, \$208.40, the value Dec. 31, 1916, less \$189.20 or \$19.20.

The excess of income over expenses is surplus; but if the expenses exceed the income, the excess is called a deficit. A model statement of Income and Expenses will now be made out as it would be made out from the accounts kept and the accrued inventories and inventories of furniture and property found by taking inventory.

FAMILY INCOME AND FINANCIAL STATEMENTS 83

STATEMENT OF INCOME AND EXPENSES FOR THE YEAR ENDING DEC. 31, 19—

INCOME			
Salary		\$1500.00	
Special Work, Earned but not received		27.00	
Interest :		21.86	
On Savings	\$ 3.86		
On Investments	<u>18.00</u>		
Total Income			\$1548.86
EXPENSES			
Food		\$ 372.50	
Rent and Car fare		295.00	
Fuel and Light, Paid	\$80.50		
Fuel and Light, Unpaid	<u>15.00</u>	95.50	
Washing and Cleaning		67.25	
Miscellaneous Operating Expenses, Paid	71.90		
Less unexpired Insurance	<u>3.00</u>	68.90	
Clothing		225.00	
Magazines and Papers		10.50	
Recreation		44.25	
Church and Benevolence		18.00	
Health, Paid	22.50		
Health, Unpaid Doctor's Bill	<u>15.00</u>	37.50	
Depreciation on Furniture		<u>38.00</u>	
Total Expenses			<u>1272.40</u>
Surplus			\$ 276.46

This surplus is not necessarily cash, but may be in the form of furniture, real property, investments, etc.

Before studying the statement of Assets and Liabilities, the terms assets and liabilities must be explained. A family asset, also called a resource, is anything of value owned by the family or anything owed to the family. Cash, furniture, real property, stocks and bonds, etc. are property assets that

represent something of value owned by the family. A debt due the family because of some labor performed, an amount owed to the family because of a sale to some one on account, or a loan to some one either on personal security or on a note are assets because something is owed to the family. A family liability is a debt owed by the family. It may be for the running expenses of the family, or it may be for some furniture or property bought by the family.

A distinction must be made between a payment of money for an asset and for an expense. Money paid out for a house and lot, for addition to the building, for interest on money borrowed during the construction period only, and for any part of a betterment that adds to the value of the property is a part of the cost of the asset. But payments for repairs, for taxes and insurance are expenses of the property. The method of treating interest on deferred payments has already been explained. In the same way, the cost of furniture is an asset, but the cost of repairs and the cost of interest on installment purchases is an expense.

Life insurance is an asset, although a part of each premium paid is really an expense of carrying the insurance, but it is difficult to estimate the expense value and the asset value because of the various kinds of insurance and the difference in the rates of insurance charged. Every insurance company will furnish a table of "surrender values" which is really the cash value of the policy. Some would consider that as the asset value to the family, but that is a very conservative estimate as the value to the family is really more than that.

Each year's statement will show as a net result of the statement either a surplus or a deficit. If it is a surplus it should be shown as an item separate from the accumulated surplus of

previous years. If it is a deficit, it should be shown as a subtraction from the surplus of previous years.

An article or property bought on the installment plan is valued at what has been paid on it, but that does not properly show the entire value of the property and what is still owed on it. So, instead of simply entering as an asset the amount paid on the article or property, the total contract cost, exclusive of interest, should be shown as an asset and the amount still owed as a liability.

A model statement of Assets and Liabilities will now be given.

STATEMENT OF ASSETS AND LIABILITIES

Dec. 31, 19—

ASSETS

Life Insurance		\$115.25	
Furniture and Furnishings		857.50	
Piano		350.00	
Clothing		115.75	
Municipal Bonds		306.00	
Unexpired Insurance (Fire)		3.00	
Cash		54.45	
In Savings Bank	\$22.30		
In Commercial Account	<u>32.15</u>		
			<u>\$1801.95</u>

LIABILITIES

To Others :			
C. N. Carter Co. For piano	\$250.00		
J. A. Brock For coal	15.00		
D. L. Scott For doctor's bill	<u>15.00</u>		
Total Liabilities To Others			<u>\$ 280.00</u>
Surplus :			<u>\$1521.95</u>
Previous Years	\$1245.49		
Current Year	<u>276.46</u>		

Exercise 20. The L. N. Griffin family during the current year had an income of \$1200 from salary, \$65 from special work, \$25 of which has not yet been received, \$10.50 interest on savings, and \$60 from the rent of a room. The family expenditures were as follows: Food, \$315; Fuel and Light, \$93.50; Washing and Cleaning, \$34; Miscellaneous Operating Expenses, \$61.75; Clothing, four-fifths of which was an expense, \$225, Magazines, \$9.50; Recreation, \$42.50; Church and Benevolence, \$21.50; Health, \$72.50; Life Insurance, \$46.50; Savings, \$77.50; Property, \$330; Taxes on Property, \$38.75. The property was bought from the Hamilton Realty Co. at a cost of \$3450, \$475 of which has been paid, including the amount paid this year. Of the amount paid this year, \$147.50 was for interest. The family owes H. I. Drew for a grocery bill amounting to \$18.75 and the Gordon Furniture Co. for furniture amounting to \$37.50. The unexpired fire insurance on the house and furniture amounts to \$16. The life insurance policy is worth \$218.20, the furniture, etc., \$736.80, and the clothing, \$144.75. Allow a depreciation of \$75 on furniture and furnishings. There is cash in the savings bank amounting to \$23.50 and cash in the checking account and on hand of \$16.80. The surplus of previous years amounts to \$1333.55.

Make statements of Income and Expenses and of Assets and Liabilities, dated December 31, of the current year.

QUESTIONS FOR DISCUSSION

1. Why is it desirable to have a household inventory?
2. What does a household inventory include? How should it be taken?
3. Is it necessary in taking the household inventory to make any allowance for depreciation? Why?

4. At what value should articles bought on the installment plan and not fully paid for be listed?

5. What is meant by the fire insurance premium? Upon what does the rate depend? How is it stated?

6. Is there any advantage in insuring for more than one year at a time? Explain.

7. What are some of the most important provisions of the standard fire insurance policy?

8. If a family moves from the place where the furniture has been insured, does it forfeit its insurance? Explain.

9. What does the insurance company require in case of loss?

10. What is a statement of Income and Expenses?

11. Explain how income differs from receipts of cash.

12. Explain how expenses differ from expenditures of cash.

13. In making a statement of Income and Expenses, what should be included that is not a part of the cash received and paid out? Why?

14. What distinction should be made between a payment for an expense and one that is a part of the cost of the asset?

15. What should a statement of Assets and Liabilities include?

16. What is meant by a surplus? How is it found?

17. What is meant by a deficit? How is it found?

18. How is the correctness of these two statements proved?

CHAPTER XIV

HOUSEHOLD ACCOUNTING SET

THE Frank A. Williams family consists of Mr. Williams, his wife, and two children, Robert, aged nine years, and Mabel, aged six years. Mr. Williams is a salesman in a store and earns \$100 per month. They have decided upon a distribution of the family budget as follows: food, 21%; payment on property, 25%; car fare, 2%; fuel and light, 6%; washing and cleaning, 1%; miscellaneous expenses, 6%; clothing, 16%; books and magazines, $2\frac{1}{2}\%$; recreation, 3%; church and benevolence, $1\frac{1}{2}\%$; health, $2\frac{1}{2}\%$; furniture and furnishings, 4%; life insurance, 5%; and the balance, savings.

Use a columnar cash book like the one in Chapter VI, with these exceptions: instead of using the second distributive column for Rent and Car Fare, head it Interest and Car Fare; add a column after Savings for Property. Enter the following transactions that are cash in the cash book and any credit purchases on credit cards. Find the monthly budget allowance for each purpose in dollars and cents and enter it at the top of each column. Find the cash balance on the 4th, 11th, 18th, 25th, and 31st.

The cash balance, December 1, was \$47.80, which was made up of the following unexpended balances: miscellaneous expenses, \$13.15; clothing, \$18.75; health, \$9.50; and furniture and furnishings, \$11.50. The amount expended for fuel was \$5.10 over the budget allowance.

Instead of paying rent the family is buying a duplex flat, occupying the down-stairs flat and renting the up-stairs flat for \$22.50. The income from the up-stairs flat, together with \$25 from the monthly salary is paid on the property, making a total payment per month of \$47.50. Of this amount \$20 is interest on the deferred payments and the balance, \$27.50, is a payment on the property.

TRANSACTIONS

- December
1. Enter the cash balance of \$47.80.
 1. Received the rent of the up-stairs flat, \$22.50; wages, \$100.
 2. Paid for car tickets, \$1; meat, 23c; vegetables and fruit, 20c; shoes for Robert, \$1.75.
 3. Paid for flour, \$2.25; butter, 56c; magazines, \$2.50.
 4. Paid for groceries, \$3.85; meat, 52c; photo-play, 20c.
 5. Paid for church, 20c.
 6. Paid for meat, 24c; medicine, 50c; electric light bulbs to replace broken ones, 50c.
 8. Paid for soap, 25c; fruit, 15c; meat, 30c.
 10. Paid on property, \$47.50.
Divide this up into the expense element and the asset element.
 11. Paid for suit for Mr. Williams, \$22.50; shoes for Mabel, \$1.50; meat, 50c; fruit, 25c.
 12. Paid for church, 20c.

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December 14. Paid for presents for the children, \$2.75.

(Charge this to Miscellaneous Expenses.) Paid for butter, 60c; meat, 35c.

15. Paid for groceries, \$4.18; life insurance deposit, \$5; savings deposit, \$4.

16. Paid electric light bill, \$1.10; doctor, \$2.

18. Bought a brass bed for \$24.50 and springs for \$6.75 of the Lyons Furniture Co. for \$5 down and \$2 per month until paid. Paid \$5 in cash. Open a credit account.

18. Paid for meat, 62c; fruit, 30c; groceries, 90c.

19. Paid for church, 25c.

20. Paid for groceries, \$2.75; meat, 20c; hat for Mrs. Williams, \$4.50.

21. Paid for car tickets, \$1; books, \$1.50; gas bill, \$1.35.

23. Paid for meat, 15c; washing, 75c; dress for Mabel, \$1.75; presents, \$2.75.

24. Paid for meat, \$1.10; fruit, 40c; groceries, 75c.

25. Paid for theater, \$1.

26. Paid for church, 20c.

27. Paid for medicine, 35c; hat for Robert, \$1.25; kitchen utensils, 98c.

29. Paid for meat, 25c; dentist, \$1. Bought a kitchen range of the City Gas Co. for \$21.50, on the terms, \$1.50 down and \$2 per month until paid. Paid \$1.50.

30. Paid for stationery, 25c; stamps, 10c.

31. Paid for meat, 24c; milk bill, \$1.95; butter, 30c.

Find the total of each distributive column and prove the total of all these columns with the sum of the Total Payments column.

A summary of the cash payments for the year up to December 1 shows payments as follows: food, \$231; interest and car fare, \$242; fuel and light, \$71.10; washing and cleaning, \$11; miscellaneous expenses, \$72.85; clothing, \$157.25; books and magazines, \$27.50; recreation, \$33; church and benevolence, \$16.50; health, \$18; furniture and furnishings, \$32.50; life insurance, \$55; savings, \$49.50; property, \$302.50. Make a summary for the year by using these amounts and the results of the December transactions.

The regular income of \$100 per month and rent for \$22.50 has been received for each of the eleven months up to December 1. Interest on savings amounted to \$1.05.

An inventory of household goods, including the articles bought on installments, totals \$736.50, on which a depreciation of \$31 is taken. Four-fifths of the cost of clothing for the year is considered an expense and the present value of the clothing is considered as \$101.25. The magazine expense is \$12.50. Life insurance is worth \$117.50. The flat building was bought the previous year for \$5750, on which \$625 was paid prior to January 1 of this year. Unexpired insurance on the house and on the furniture amounts to \$19.25. The family owes G. Ray a bill for repairs to the house of \$23.50 and the balance on each of the two credit purchases made this month. The taxes have not yet been paid and amount to \$48.75. The accumulated surplus of previous years amounts to \$1859.68.

Make statements of Income and Expenses and of Assets and Liabilities, dated December 31.

CHAPTER XV

CLUB AND SOCIETY ACCOUNTS

IN keeping household accounts it was possible to use a cash book with columns for distributing the payments because the accounts for any family vary but little from month to month. A variation of this method was given in Chapter X in which, instead of using a columnar cash book with distributive columns, a two-column cash book and a card ledger were used.

But in keeping the accounts of a club or society, the items vary greatly from month to month and the accounts must be kept so as to make it possible to present more elaborate reports and to prove up the work oftener. The books of entry that should be used are the journal and the cash book. With these, the book of accounts, the ledger, is used. The treasurer of a club or society or fund should know how to keep the accounts by double entry. The same method is used by the bookkeeper of a business except that a sales book and a purchase book are also necessary.

There is nothing mysterious about double entry, in fact the student has already made use of the principle but has not known it by that name. In double entry every transaction has a double effect. If it is a cash transaction, Cash may be received, which is one effect, and the thing for which it is received, as, Wages, or Interest, or Income, Real Property, is the other effect. Or cash may be parted with, which is one effect, and the thing received or the use or service received, such as Food, or Clothing, or Rent, or Washing, the

other effect. In the first illustration we say that Cash is debited because it is received and that Wages, or Interest, or Income, Real Property is credited because it represents the account of the thing or service for which the cash was received. In the second illustration, Food, or Clothing, or Rent, or Washing is said to be debited because either something is received, as in the case of Food or Clothing, or some use or service is received, such as, Rent or Washing. As we have already learned, then, cash received is a debit to Cash and a credit to some account named; cash paid out is a debit to some account named and a credit to Cash. This gives a double effect for every transaction.

There is one other important principle of the use of the cash book and that is the principle of economy in posting. In keeping the accounts of a club or society or fund, it is best to use a two-page cash book, as the transactions can be recorded and explained more completely in it. If cash is received, it must be entered on the Cash Receipts (left-hand) side and the name of the account for which the cash was received must be written, as Membership Dues, Fines, Concert, Bazaar, or anything else that brings in cash. Accounts must be opened up in the ledger under these or similar headings and each item posted to the credit side of that account in the ledger. *Each* item has also a debit effect, that of Cash, but it is not necessary to post each item to the Cash account but simply the total cash received during the month, exclusive of any cash balance brought over from the previous month. In the illustration on pages 98 and 99, Membership Dues, etc. must be credited in the ledger account, but the total cash received for the month, \$222.50, is posted but once to the debit of Cash.

The same principle is true of the payments side of the cash

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book. Suppose that cash is paid out. It must be entered on the Cash Payments (right-hand) side and the name of the account for which the payment was made must be written down, as Rent, Postage, Cleaning, Salary, etc. *Each* of these items must then be posted to the debit side of the account named. Each item has a credit effect also, that of Cash, but it is necessary to post this effect but once, in total, to the credit side of the ledger account. A study of the cash book illustrated on pages 98 and 99 and its posting to the ledger on pages 100 and 101 will make this principle plain.

One other kind of transaction must be explained. In keeping household accounts, purchases on account or debts incurred were entered as supplementary or memorandum accounts unless they were settled in full monthly when nothing but the bills and statements were used as a record of the purchase until payment was made. But in keeping accounts by the complete double entry system, these must be entered in the journal as a debit to some account that stands for the thing received and as a credit to the creditor that furnished the article. For example, a purchase of a piano from the B. I. Lee Co. on account or on installments, for \$400, would be entered as a debit to the Piano account and a credit to the B. I. Lee Co., in the following form:

Sept. 15, 19—

Piano	Star upright, walnut	400
To B. I. Lee Co.	case, on the terms:	400
	\$40 down and \$20 per	
	month, on the 15th	
	of each month.	

This entry would be posted to the debit of the Piano account in the ledger and to the credit of the B. I. Lee Co.'s

account in the ledger. When the first payment of \$40 is made or a subsequent payment of \$20, the payment would be entered on the Cash Payments side of the cash book in the following form :

Sept.	15	B. I. Lee Co.	First payment, piano	40	—
-------	----	---------------	----------------------	----	---

This would be posted to the debit of the B. I. Lee Co.'s account and would cause a reduction of that much from the purchase price which has been recorded on the credit side. Nothing should be entered in the journal except non-cash transactions.

Let us now suppose that Miss Alice E. Harmon is elected treasurer of a newly organized society, called the Community Service Association. The constitution of the association provides for annual membership dues of \$3. The association is formed with a charter membership of twenty members, each of whom pays the membership fee of \$3. The treasurer would enter this on the Cash Receipts side as follows :

Oct.	1	Membership Dues	20 members, as follows : (Names detailed or entered in a special Members book.)	60	—
------	---	--------------------	--	----	---

The association then votes to rent a room for a library at \$20 per month and the treasurer is authorized to make the payment. The treasurer has opened up a checking account in the First National Bank and deposited the \$60 that she has received. When she opened up the account and signed the signature card, she was careful to sign the name of the association first, followed by her name as treasurer, in the following form :

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Community Service Association
by Alice E. Harmon, Treas.

She then draws a check for \$20, payable to the owner of the building in which the room is located, J. A. Terrel, and writes on the check below the amount in words and to the left of the signature, "For rent of room, 318 State St., to Nov. 1, 19—." She then enters this on the Cash Payments side of the cash book, as follows :

Oct.	| 1 |	| Rent	|	To Nov. 1, 19—	|| 20 |—
------	---	------	--	----------------	-------

The association also authorized the purchase of furniture for the equipment of the library room. This was purchased from the Harris Furniture Co., for \$175, on the terms, cash \$25 and the balance on account, 90 days. The treasurer enters the purchase of furniture in the journal, as illustrated on page 97.

Then she writes a check for \$25 and enters it on the Cash Payments side of the cash book, as follows :

Oct.	| 2 |	| C. Harris Furniture Co.	|	On account	|| 25 |—
------	---	-------------------------	--	------------	-------

Each of these entries is, of course, posted to the proper account in the ledger. These illustrations and the cash book and ledger pages following should give the student a good idea of how the entries should be made and posted.

At the end of each month, the treasurer must prove the posting to the ledger. As we have seen, each debit in the journal was posted to the debit side of the account named and each credit to the credit side of the account named. In the cash book, the double entry principle was maintained by posting the total of the Cash Receipts side to the debit of

Cash, and each item to the credit side of the account named, and by posting the total of the Cash Payments side to the credit side of Cash, and each item to the debit side of the account named. If this has been done accurately, the treasurer has posted as much to the debit side of the ledger as to the credit side. She tests this by making a trial balance. This is done by listing each account and its net debit or net credit amount. It is a net debit if the credit side, if either, is less than the debit side; it is a net credit if the debit side, if either, is less than the credit side. Most of the accounts, however, have items on one side only. The sum of all the debit amounts must equal the sum of all the credits if the posting has been done to the right side of the ledger. It does not, however, prove that the posting has been done to the right accounts, but that can be guarded against by care in posting to the right headings. A trial balance of the ledger is illustrated on page 102.

Journal
Oct. 2, 19__

	1	Library					
		Furniture	Terms: \$25	175	—		
	2	To C. Harris	cash; balance				
		Furniture Co.	on acct., 90 da.			175	—
			5				
	2	Books	On acct.	97	50		
	2	To J. L. Carter					
		Book Co.				97	50

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Page 2

Cash Receipts, Oct. 19__

19							
Oct.	1	1	Membership	20 members			
			Dues	at \$3.00	60	—	
	5	1	Library Fees	24 cards at 50 c.	12	—	
	10	1	Membership	25 members			
			Dues	at \$3.00	75	—	
	18	1	Library Fees	20 cards at 50 c.	10	—	
	25	1	Tag Day Sale	Special			
			Committee		45	—	
	28	1	Membership	5 members			
			Dues	at \$3.00	15	—	
	30	1	Library Fees	6 cards at 50 c.	3	—	
	31	1	Library Fines	From			
			librarian		2	50	
	31	1	Cash Debit	Total for the			
				month			222 50
							222 50
Nov.	1		Balance	On hand			27 50

Cash Payments, Oct. 19__

Page 3

19__							
Oct.	1	1	Rent	To Nov. 1, 19__	20	—	
	2	1	Library	Shelves,			
			Furniture	J. C. East	12	—	
	2	2	C. Harris Fur-				
			niture Co.	On acct.	25	—	
	2	2	Cleaning	Mrs. Barber	2	—	
	5	2	J. L. Carter				
			Book Co.	On acct.	20	—	
	10	2	Postage	On circulars,			
				etc.	5	—	
	12	2	Library	Cards, etc.,			
			Equipment	D. A. West Co.	17	50	
	20	2	J. L. Carter				
			Book Co.	On acct.	46	50	
	31	2	Cleaning	Mrs. Barber	2	—	
	31	2	Salaries	Librarians	40	—	
	31	1	Cash Credit	Total for the			
				month			195 —
	31		Balance	In bank			27 50
							222 50

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Page 1

Membership Dues

19—						19—								
						Oct.	1		£	2		60	—	
							10		£	2		75	—	
							28		£	2		15	—	
												150		

Library Fees

						Oct.	5		£	2		12	—	
							18		£	2		10	—	
							30		£	2		3	—	
												25		

Tag Day Sale

						Oct.	25		£	2		45	—	
--	--	--	--	--	--	------	----	--	---	---	--	----	---	--

Library Fines

						Oct.	31		£	2		2	50	
--	--	--	--	--	--	------	----	--	---	---	--	---	----	--

Cash

Oct.	31		£	2	222	50	Oct.	31		£	3	195	—	
------	----	--	---	---	-----	----	------	----	--	---	---	-----	---	--

Rent

Oct.	1		£	3	20	—								
------	---	--	---	---	----	---	--	--	--	--	--	--	--	--

Library Furniture

Oct.	2		£	1	175	—								
	2		£	3	12	—								

C. Harris Furniture Co.

Page 2

^{19—} Oct.	2	℄	3	25	—	^{19—} Oct.	3	℄	1	175	—
------------------------	---	---	---	----	---	------------------------	---	---	---	-----	---

Cleaning

Oct.	2	℄	3	2	—						
	31	℄	3	2	—						

Books

Oct.	5	℄	1	97	50						
------	---	---	---	----	----	--	--	--	--	--	--

J. L. Carter Book Co.

Oct.	5	℄	3	25	—	Oct.	5	℄	1	97	50
	20	℄	3	46	50						

Postage

Oct.	10	℄	3	5	—						
------	----	---	---	---	---	--	--	--	--	--	--

Library Equipment

Oct.	12	℄	3	17	50						
------	----	---	---	----	----	--	--	--	--	--	--

Salaries

Oct.	31	℄	3	40	—						
------	----	---	---	----	---	--	--	--	--	--	--

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TRIAL BALANCE, OCT. 31, 19__

LEDGER PAGE					
1	Membership Dues			\$ 150	—
1	Library Fees			25	—
1	Tag Day Sale			45	—
1	Library Fines			2	50
1	Cash	\$ 27	50		
1	Rent	20	—		
1	Library Furniture	187	—		
2	C. Harris Furniture Co.			150	—
2	Cleaning	4	—		
2	Books	97	50		
2	J. L. Carter Book Co.			26	—
2	Postage	5	—		
2	Library Equipment	17	50		
2	Salaries	40	—		
		\$ 398	50	\$ 398	50

At the end of each month the treasurer should make a report of receipts and payments and of the bills outstanding.

STATEMENT OF RECEIPTS AND PAYMENTS FOR OCTOBER 19__

RECEIPTS

Membership Dues	\$150.00
Library Fees	25.00
Tag Day Sale	45.00
Library Fines	2.50
Total Receipts	\$222.50

PAYMENTS

Library Furniture	37.00
Library Equipment	17.50
Books	71.50
Rent	20.00
Cleaning	4.00
Postage	5.00
Salaries	40.00
Total Payments	195.00
Cash Balance	\$ 27.50

UNPAID BILLS

C. Harris Furniture Co.	\$150.00
J. L. Carter Book Co.	26.00
Electric Light Bill	3.65
Fuel Bill	5.75
Total Unpaid Bills	\$185.40

It is usual not to enter small bills for light, fuel, etc., until they are paid. The treasurer has received the electric light and fuel bills but will not enter them until they are paid.

At the end of the year the treasurer should make out statements of Income and Expenses and of Assets and Liabilities. These would be the same in form and principle as those given for the family in Chapter XIII.

Exercise 21. a. Use a two-page cash book and a journal as books of entry and enter the following transactions.

Miss Ella Rice has been elected treasurer of the Women's Club. The former treasurer turns over to her a balance, on Nov. 1, of \$63.75.

- November
1. Paid rent of club rooms to December 1, \$25.
 2. Received dues from 30 members at \$2 each, \$60.
 4. Bought a carpet for the club rooms, of Evans & Co., for \$58.50, on account.
 6. Receipts of Club Concert, \$157.50.
 7. Paid for rent of hall for concert, \$30; male quartet for concert, \$25.

Expenditures that result from some special income, such as this, should be charged to the income account so that the account will show the net amount made. On the credit side of the Club Concert account will be the gross receipts from the concert; on the debit side of this account will be the expenses of the concert. The difference will show the net income from the concert.

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November 8. Paid for advertising and tickets for the Club Concert, \$12.50.

11. Sold 4 doz. chairs at \$4 a doz. to C. L. Minn, for cash, \$16.

11. Bought 5 doz. chairs at \$12.75 a doz., of the J. A. Jackson Co., on account.

12. Paid for postage, \$1.

13. Paid Evans & Co., on account, \$40.

14. Paid janitor for two weeks, \$8.

15. Received from rent of rooms, \$5.

16. Bought for cash, of B. L. Ford, 4 pair of curtains at \$3.25, \$13.

18. Received dues from 7 members at \$2 each, \$14.

20. Paid for 2 tons coal, at \$6.25, \$12.50.

21. Paid the J. A. Jackson Co. for the purchase of chairs on the 11th.

22. Receipts from the Club Bazaar, \$178.50.

25. Paid expenses of the bazaar, as follows: decorations, \$5.75; lumber and carpenter work, \$4; advertising, \$8.50; music, \$10; materials, \$10.75.

Enter this in the same way as for the expenses for the Club Concert on the 7th.

27. Bought a piano of the Howard Piano Co., for \$400. Paid \$100 cash and agreed to pay \$25 per month until the entire amount is paid.

28. Contributed to charity, \$25.

29. Paid janitor for two weeks, \$10.

Balance the cash book.

b. Post to a ledger the transactions recorded in the cash book and journal. As this is the beginning of the Club's year, the only items left over from the previous year that must be entered first in the ledger before posting these transactions are as follows: Furniture and Furnishings, \$75.80 on the debit side; Cash, \$63.75 on the debit side; and Surplus, \$139.55 on the credit side.

c. Take a trial balance of the ledger after posting.

d. Make a statement of Receipts and Payments for the month of November.

QUESTIONS FOR DISCUSSION

1. How does the keeping of club and society accounts differ from the keeping of household accounts?
2. What does an entry on the cash receipts side mean when keeping the books by double entry? Explain.
3. What does an entry on the cash payments side mean when books are kept by double entry?
4. How should an entry on the cash receipts side of the cash book be posted? On the cash payments side?
5. How should the total of each side of cash be posted?
6. How should a purchase on account be entered in the books?
7. How should a payment on account be entered?
8. How should the treasurer of a club or society open up an account at the bank?
9. In what way may the treasurer show for what purpose a check is written?
10. What is meant by a trial balance? What is its purpose?
11. How should a trial balance be taken? What does it prove?
12. What statement should a treasurer make monthly? Explain how it is made.
13. What statements should be made by the treasurer of a club or society at the end of the year? What should each of these statements show?

CHAPTER XVI

SAVINGS BANK ACCOUNTS

IN studying the family budget under the expenditures for the higher life we found that the savings of a family were not measured by the amount left in the bank at the end of the year. There are different methods of saving, the most important of which are the savings bank account, life insurance, investments in stocks, bonds, and mortgages, and investments in real property. Each of these will be considered. In this chapter how to open up savings accounts for various purposes and how to do business with a savings bank will be explained.

Although a savings fund in the form of a savings bank account or a Postal savings deposit does not earn a very high rate of interest, it presents the best possible method of saving small amounts from time to time and making them earn something. The average family, if it saves at all, must do so by saving small amounts regularly. An account may be opened for amounts of \$1 or more. The Postal savings department pays 2% to 2½% on deposits. The average savings bank pays 3% on deposits.

An account of this character may be opened up in a Savings Bank or in the savings department of some commercial bank. To open up a savings account the depositor must sign her name on a signature card similar to the one used in opening up a commercial account. The usual information called

for is name, residence, age, and whether married or single. As in the case of opening a commercial account the name must be signed as it will be signed when drawing out money. The same precautions must be observed to adopt a signature and always use it. In signing the signature card a married woman should use her legal name: for example, Helen, the wife of John Gross, should sign her name Helen Gross and not Mrs. John Gross.

A married woman may open up a savings account and it can be drawn out by no one else but herself. Husband and wife may open up a joint savings account. In this case the names of both the husband and wife must be signed to the signature card. Money can be drawn out on a joint account on the signature of *either* party to the joint account.

An account may be opened up by the parents for a minor child. This is an excellent way to provide for the education of the child. The account should be opened up in the name of the child. The signature card should be signed in the name of the child by the name of the parent opening up the account. For example, if Mrs. Gross wished to open up an account for her daughter, Grace, she should sign the signature card *Grace M. Gross by Helen Gross*. If a minor opens up an account personally in her own name, she may draw out the money herself.

In signing the signature card, the depositor agrees to the rules and regulations of the bank which are printed in the pass book. The most important of these rules are as follows:

1. The deposit pass book must be presented for each deposit and each withdrawal.
2. Deposits of One Dollar or more will be received. Many banks will not receive deposits of fractional parts of a dollar nor allow withdrawals of fractional parts of a dollar.

3. Deposits made on or before the fifth day of the month will bear interest from the first day of the same month. Deposits made after the fifth will not bear interest until the first day of the next month.

4. Interest is paid on all sums on deposit for at least one month prior to the interest dates, which are most frequently January 1 and July 1, at the rate of 3% per year.

Banks have different rules in reference to the payment of interest. The interest dates differ, the time that the deposit must be left in the bank varies, and the number of interest dates per year varies, some computing interest four times a year instead of two. The rules of each bank are printed in the pass book and should be studied by the depositor.

5. Any withdrawals made between the interest dates are deducted from first deposits. For example, suppose that a person had \$25 deposited in a savings bank account on January 1 in a bank that computes interest on January 1 and July 1. The following deposits and withdrawals have been made: February 3, deposited \$30; April 1, deposited \$10; May 15, withdrew \$15; and June 1, deposited \$20. The interest to be credited on July 1 would be found as follows:

First, the withdrawal of \$15 on May 15 would be subtracted from the amount in the bank January 1, leaving \$10 to bear interest for the whole period of six months. The interest on the different amounts would be as follows:

The interest on \$10 for six months at 3% would be	\$.15
The interest on \$30 for five months at 3% would be	.38
The interest on \$10 for three months at 3% would be	.08
The interest on \$20 for one month at 3% would be	<u>.05</u>
Total interest to be credited on July 1	\$.66

6. The bank may demand a notice of thirty or sixty days before an amount can be withdrawn but rarely enforces this

SAVINGS DEPOSIT TICKET

No. 37810NAME Jennie Hayes

Deposited in the
SAVINGS DEPARTMENT
OF THE
FIRST NATIONAL BANK

DATE Oct. 20, 19

GOLD		
SILVER		
BILLS	40	—
CHECKS		

BALANCE \$ 87.25

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rule except for withdrawals over \$100 and usually not even then except in times of financial distress.

To make a savings deposit, the depositor should, after he has signed the signature card, make out a savings deposit ticket which is a little different from the commercial deposit ticket. A common form is illustrated on page 109.

A deposit ticket should be made out and taken with the money and pass book to the savings teller each time that a deposit is made. When the first deposit is made, the depositor is given a number which is printed or written on his pass book and which should be used on all deposits and withdrawals thereafter.

The pass book differs from that of the commercial deposit in that the savings pass book records not only deposits but withdrawals and balances each time that a deposit or withdrawal is made. The following is a common form :

	DEPOSITS	WITHDRAWALS	BALANCES
Sept. 5	\$25.00		\$25.00
Oct. 13		\$10.00	15.00
Nov. 3	20.00		35.00
Jan. 1	Interest .25		35.25

At any time after the interest date specified in the rules of the bank, the pass book should be presented at the savings window and the interest will be placed to the credit of the depositor, as in the illustration. It can then be withdrawn or left in the bank. If it is left in the bank, it will bear interest the same as a deposit.

To withdraw money from a savings account, the deposit pass book must always be presented and a receipt signed. Some banks allow the depositor to make out the receipt and sign it, but most banks prefer to have the teller make out the receipt and simply require the depositor to sign it. If the

depositor cannot go to the bank, and wishes some one else to make the withdrawal for her, she should write out a receipt like the following, sign it, and send it with her pass book.

\$ <u>20⁰⁰</u>	CHICAGO, ILL., <u>June 15,</u> 19 <u>—</u>
RECEIVED OF FIRST NATIONAL BANK	
(Savings Department)	
<u>Twenty and $\frac{00}{100}$</u> ~~~~~ Dollars	
and charge to Pass Book No. <u>23124</u>	
Signature <u>May Baker.</u>	

Banks print a form similar to the preceding in the back part of their pass books, which may be used as a model.

When money is withdrawn, as can be seen from the illustration on page 110, the amount withdrawn is deducted from the previous balance and the new balance shown. In this way the pass book shows at all times just how much the depositor has in the bank. It must be understood that money cannot be withdrawn from a savings account by check.

The savings account may be made a very great aid in operating the budget system. As has been explained in previous chapters, it is not possible to use the exact amount of the budget allowance each month but many articles will be required in certain months only. One or more savings accounts for these unexpended balances is the best way to accumulate them. Suppose it is desired to purchase the coal

for the year in July when prices are lower, or to accumulate money for some article of furniture. This can easily be done if the unexpended budget allowance is placed in a savings account until it is needed. Or, suppose that a lot is being bought on which \$300 must be paid on November 1, with interest \$15. Taxes payable in December amount to \$9.60. Life insurance premiums, payable on June 1, amount to \$85.80. The family desires to accumulate a savings fund by setting aside each month a proportionate amount of the whole. Since the total amount to be raised is \$410.40, the amount to be deposited each month would be \$34.20. When a payment of this kind is to be made, the necessary amount is withdrawn from the bank. In using the cash book illustrated in Chapter VI the amount deposited may be divided up into the different columns as it is there, or, where the savings fund set aside regularly provides for several things, it may be entered in one column, called by some particular name, such as Special Savings, and divided up in the yearly summary. The first method is, however, usually preferable. Using the illustration just given of the family buying a lot and also accumulating a fund for life insurance, each month \$34.20 might be entered in this special savings column and at the end of the year the total amount expended, \$410.40, would be analyzed for the yearly summary, as, Lot, \$315; taxes, \$9.60; and life insurance, \$85.80. Or, preferably, the \$34.20 would be entered in the proper columns monthly.

Exercise 22. If interest is computed on May 1 and November 1 at 3% on all sums on deposit for one month or more, and the other rules given in this chapter are used, what interest would be earned on the following account, November 1: June 3, deposited \$30; July 1, deposited \$25; August 15,

withdrew \$15; September 4, deposited \$10; October 2, deposited \$20? Add the interest to the account. What interest would be earned May 1, if the following deposits and withdrawals were made: December 10, withdrew \$25; January 3, deposited \$15; February 2, deposited \$20; March 20, withdrew \$15; April 1, deposited \$10?

CHAPTER XVII

LIFE, ACCIDENT, AND HEALTH INSURANCE

LIFE insurance is a form of saving that is becoming more popular each year as its merits are understood. It is not only a saving, but a protection as well. Accident and health insurance, although strictly speaking not savings, furnish a peace of mind that cannot be had without them. They may also be the means of preventing accumulated savings from being used for the payment of doctor's bills in case of accident or sickness.

There are two general kinds of life insurance, fraternal or assessment and legal reserve. In fraternal insurance the payment depends upon the number of members and the number of deaths in the society. When the society is young, the payments are small because there are few deaths, but as the members become older the deaths become greater in number and the assessments become heavier. Especially is this true unless the society takes in many new young members as the society becomes older. It frequently happens that the assessments become so heavy that the family feels obliged to drop out of the society and thus lose all that has been put in and the benefits as well. The average life of fraternal insurance societies or companies is not more than twenty-six years and many have not continued for that length of time. This form of insurance is, therefore, very uncertain and can be nothing more than temporary.

The legal reserve insurance is issued by incorporated stock or mutual companies and is based on the "expectation of life" and not on the actual number of deaths as in the case of fraternal insurance. This "expectation of life" shows the number of deaths per thousand on the average for each age. Not all of the money collected in the form of premiums is needed each year to pay maturing claims, but the company lays by or reserves each year enough of the premium sufficient to pay the claim when it matures. This form of insurance is necessarily more costly than the fraternal at the beginning, but it furnishes a scientific method of providing for claims as they mature, while the fraternal does not.

There are many different kinds of policies issued by legal reserve companies, but they may be classified as endowment and life. An endowment policy is issued for a definite number of years, usually 10, 15, or 20 years. An annual premium is paid during the term of the policy or up to the time of death, if it occurs before the end of the term. If the insured lives to the end of the term, the insured or some one else in whose favor the policy is issued, called the beneficiary, will receive the amount of the policy. If the insured dies before the end of the term, the beneficiary will receive the amount of the policy. This form of insurance is a good one for young persons as an incentive to saving and as a protection to those dependent upon them as well, but the interest on the investment is low and the cost of the protection is high.

Life policies are written in a number of different forms, the principal ones being the ordinary life policy and a "years' payment" policy. In the ordinary life policies a premium is paid yearly as long as the person lives. This amount is named in the policy so that there can be no increase in the amount. In the most popular kind of "years' payment

life," the twenty-payment life, the premium is paid annually for twenty years, or as long as the person lives up to twenty years, but the amount of insurance is not payable until death.

A temporary kind of insurance called convertible term insurance is provided for those that want insurance to secure a loan or for some temporary purpose. This may be taken out for from five to ten years and may, within a time specified, be converted into any other kind of insurance without a new medical examination at a rate depending upon the rate at that age for the kind of insurance. This is a cheaper form of insurance than either of the others but is only temporary.

Nearly all companies allow the payment of premiums annually, semi-annually, or quarterly. Most companies now issue participating policies by which each policy holder shares in the surplus profits of the company. These are called dividends. The dividend may be drawn out in cash, it may be used to reduce the premium payment, or it may be allowed to purchase additional insurance.

In the previous chapter a method of financing the payment of life insurance premiums by means of the monthly deposit in a savings account was given. It is the duty of the housewife to insist on a certain amount of life insurance and very often to do the planning for the payment of the premium. The policy should be made out to the wife as beneficiary or to her and the children. In most states it cannot then be changed without her consent. Neither can it be taken for the debts of the insured, in most states. But if the policy is made out to the estate of the insured, it may be taken for his debts upon his decease.

If one is insured in a legal reserve company, he cannot lose all that he has put in as in the case of fraternal insurance,

if he should allow his policy to lapse. If he wishes to discontinue his insurance, he may receive back part of the amount paid as shown by the table of "surrender values," or the policy may be continued, without further payments, for a certain stated amount, as shown by the table of Paid-up Values.

The insured may, with the consent of the beneficiary, borrow money from the company on his policy or he may use his policy as security for a loan. This should be done only in the purchase of something of permanent, fixed value, such as, a house and lot, or in the case of a great emergency, such as, a severe illness, a surgical operation, or something of that kind.

Another kind of insurance that is very desirable for the family is accident and health insurance for the person whose income supports the family. An accident policy may be taken out or it may be combined with health insurance. The combined policy is the better, but it is more expensive. In the accident policy the company agrees to pay a certain sum in case of loss of life by accident, varying sums for accidents causing the loss of parts of the body or injury to them, and a weekly or monthly indemnity in case the person is disabled as a result of an accident. In the combined policy the accident feature is the same and in addition the insurance company agrees that if a person is sick and unable to perform his regular duties a certain sum will be paid monthly or weekly for a certain length of time. It also provides for a smaller payment if the person is not disabled but cannot perform his regular duties.

Almost all companies arrange that the premium be paid semi-annually or quarterly if desired, and many allow monthly payments. Although this form of insurance is considered expensive by many, it furnishes the best means of making provision for possible accident or disability that may use

up the savings of months and years or plunge the family into debt.

The various accident and health companies are glad to send sample policies giving the various provisions of their policies. Every person that contemplates taking out this kind of insurance should carefully investigate the reliability of a company and the conditions of its policies before insuring in it. This may be done by writing to the insurance commissioner of the state or to the insurance commissioner of such states as New York, Massachusetts, or Wisconsin that have especially good laws on life, health, and accident insurance.

QUESTIONS FOR DISCUSSION

1. What are some of the most common methods of accumulating savings?
2. How should a savings account be opened up?
3. How should a savings account for a minor child be opened up?
4. What is meant by a joint savings account?
5. Give the method of computing interest on savings deposits.
6. Give three other important rules of the bank in reference to savings accounts.
7. How do the records of savings deposits and withdrawals differ from those of commercial deposits and withdrawals?
8. How can money be withdrawn on savings deposits?
9. Can money be withdrawn by some one other than the depositor of a savings account? Explain.
10. How can a savings account be made to aid the budget system?
11. What is the principle of fraternal insurance?
12. What is the principle of legal-reserve insurance?
13. Explain endowment, years' payment life, ordinary life, and term insurance.
14. What would be the effect of discontinuing a policy in a legal-reserve company? In a fraternal society?
15. Explain the advantages of health and accident insurance.
16. What are the principal provisions of health and accident insurance?

CHAPTER XVIII

INVESTMENTS FOR THE HOME

THE average family does not have a very large sum to invest at any one time. It is, therefore, advisable, in most cases, to accumulate a savings fund and when the savings reach a certain amount to invest them in some reliable securities. Safety and a fair rate of interest should be the first considerations. One can rarely get an investment yielding much over 5% that does not have a speculative element in it. For a family with the average knowledge of investments nothing but approved bonds and mortgages should be considered. Stocks fluctuate in value too much and have a speculative element in them. Municipal, railroad, public service, and approved industrial bonds, and mortgages on property for not more than 50% to 60% of its value are the best forms of investment.

Bonds rarely sell for their face value, called in technical language the *par* of the bond. They are quoted on the basis of so much for every \$100 in the bond. For example, a \$1000 bond quoted at 108½ would sell for \$1085. It must be remembered, too, that the per cent of interest that the bond bears is not the per cent of yield on the investment unless the bond is bought at par. The cost of the bond must be taken as the basis for finding the per cent of yield on the investment. For example, suppose that a \$100 bond bears 4½% interest but that the bond can be bought for \$90. The

per cent of yield would be found by dividing the interest, \$4.50, by .90, which would give 5% as the yield on the investment.

In addition to the market quotation already explained, bonds are quoted at a certain price and accrued interest. This means that the buyer must pay the market quotation and whatever interest has accrued since the last interest payment. This payment of accrued interest the buyer will get back when he receives his next interest payment. For example, a \$1000 bond bearing interest at 4% was purchased for 92 and accrued interest. The interest is payable on the first days of February, May, August, and November. If the purchase was made April 1, the buyer would pay \$920 plus the accrued interest from February 1 to April 1, two months, or \$6.67, making a total cost of \$926.67. On May 1 the holder will receive \$10 interest which will repay her for the \$6.67 she advanced on purchasing the bond and \$3.33 for the interest income from April 1 to May 1. Her real per cent of income yearly would be found by dividing the yearly interest, \$40, by the price paid for the bonds, excluding the accrued interest. This would give 4.34% on the investment.

Most bonds until recently have been issued for a face value of \$1000 with a few for \$500. This has made it difficult for the small investor to purchase bonds, but now there are many good bonds on the market that have a par value of \$100. It is entirely possible also to deal with a bank that will carry the bond for the investor by requiring her to pay a part of the cost in cash and the rest in monthly installments.

In buying bonds it is very important for the investor to deal with the Bond department of some good bank or with a bond house of known reliability. It is very unwise to have anything to do with so-called investment companies or bond

houses that offer, usually by mail, mining, oil, and similar stocks cheap but with the promise of big returns on the investment. If every woman who has money to invest would take this advice, there would be few disappointed investors.

BUYING A HOME. Most families at some time in their lives decide to stop renting and to buy a home. As to the relative merits of renting and of buying a home there is much to be said on both sides. So far as the financial question is concerned, one must be careful not to take the glittering offers and alluring promises of real estate men at their face value. In interesting the average family in the purchase of a home little is said about the expenses that are necessary as owner of the property. Their big point is, "Pay rent to yourself" or "Let your rent pay for your property." The expenses of upkeep, of taxes, of insurance, of probable assessments for sewer and paving, must be carefully considered in connection with the purchase price of the property.

It is impossible in a work of this kind to give any detailed advice about the purchase of a home, but rather to give different methods of financing a home. Conditions differ very greatly in different families and in different cities and localities of the same city. But no purchase should be made without having some disinterested person pass upon the values of the land and of the buildings. Care also should be taken to see that every material provision agreed upon is incorporated in the written contract, as oral statements that are not included in the written contract cannot be relied upon in case of dispute.

Whatever may be the financial advantages or disadvantages of buying a home compared with renting, there are reasons for owning one's own home that far outweigh any financial disadvantage that there might be. The most im-

portant of these are the sense of satisfaction and confidence, the greater comfort and privacy, the knitting together of the family into a unit, in many cases through united planning and self-denial, and the laying of the foundation for a broader and better citizenship.

After a family has determined to buy a home the question of ways and means is an important one. Few families are able to pay cash for a home unless they wait an unreasonable length of time. The best that can be done usually is to accumulate by systematic saving sufficient to make a payment of from 10% to 50% down. The principal methods of financing a home will now be considered.

If the purchaser can pay from 30% to 50% down, she can usually secure title to the property and give a mortgage for the balance, with interest. It is rare, however, that the seller is willing to accept as small a payment as 30% and take a mortgage. If the seller is not willing to take a mortgage, some other person must be found who will take a mortgage on the property. If the mortgage is for not more than from 40% to 60% of the value of the property, it should not be necessary to pay anyone a commission for securing the loan. One should carefully avoid loan agents and real estate men that charge from 1% to 2% commission or even sometimes as high as 4%. These commissions must usually be paid, too, each time that the mortgage is renewed. Of course the buyer must expect to pay for the abstract of title — an investigation of the title to the property to know that the title is good and that no one else has an interest in it — and any legal advice and work that may be necessary.

Another method that involves the use of less cash places a second mortgage on the property in addition to the first. By this method from 20% to 25% is paid in cash. About

50% is in the form of a first mortgage and the balance is in the form of a second mortgage. The second mortgage is usually accepted by the seller of the property and it is expected that it will be paid at the end of the time specified, as a second mortgage is seldom renewed. If the seller of the property or the builder of it is unwilling to take a second mortgage, this method should not be considered. If the second mortgage must be placed in the open market or through an agent, a heavy commission must usually be paid, as a second mortgage is considered poor security. Under these conditions it becomes an expensive form of borrowing and is not to be recommended.

A third method that is now being used in the cities to a large extent is the payment of a small per cent down and the payment of the balance in monthly installments. In a sale by this method 10% or even less is paid in cash and the balance in monthly installments that include interest. But the buyer does not usually understand how the computations are made and thinks he has the property paid for long before it is fully paid. The usual method of computing will be explained by an example. Let us suppose that a property is purchased for \$5000 and \$500 paid in cash. The agreed rate of interest is 5% per year and \$50 is to be paid monthly. Everything is computed on a yearly basis. The interest is computed on \$4500 for one year at 5%, which gives \$225. Interest on each payment of \$50 is computed from the date of payment to the end of a year from the time the contract is entered into, or sometimes to the end of the current year for the first year's computation and after that at the end of each year. If the purchase was made June 1, the first monthly payment would be made July 1. The first payment of \$50 would bear interest for eleven months, the next for ten

months, the next for nine months, and so on till the end of the year. The first year would have eleven payments in addition to the first payment of \$500 and each year after that would have twelve payments. These eleven payments for the first year amount to interest for 66 months or five and one half years. The interest of \$50 for five and one half years at 5% is \$13.75. The total payment for the year is then \$563.75. From this is subtracted the interest for a year, \$225. The balance, \$338.75, reduces the principal that much, leaving \$4500 less \$338.75 or \$4161.25 as the principal for the next year.

This is a more expensive form of purchase than those where a mortgage is given. When a sale of this kind is made, a land contract is given to the purchaser. The land contract is made out in duplicate and signed by both parties. It stipulates the terms of sale and warrants that at the completion of the contract a deed will be given to the purchaser. Either party to the land contract may assign his or her interest in it to some one else. If the seller of the property wishes to obtain cash for the land contract, he must accept a heavy discount, oftentimes 10% or more. For this reason he puts the price of the property up so that it will net him about what he considers the value of the property.

Sometimes, if only a small payment is made when the property is purchased and a small payment is made monthly, a "lease with option" is given instead of a land contract. This is a lease with so much payable monthly as rent but with the option that at the expiration of the lease, usually one or two years, the person to whom the lease is given, called the lessee, has the right to exercise his option of purchasing the property and receiving a land contract. The amount that has been paid as rent is, according to the agreement, to be applied on the purchase price of the property.

The only other method that is decidedly different from these methods is the plan of membership in a building and loan association. In choosing a building and loan association, a local association that has a good reputation and that is carefully managed by honest men of good business ability is to be preferred. In borrowing money on a property or to build, one cannot borrow more than from 50% to 80% of the value of the property. No fixed rule can be given, as the location of the property, its condition, and what is termed the "moral risk," or the ability to keep up the payments, is important in fixing the amount of the loan that can be taken out. A mortgage is given to the building and loan association for the amount borrowed. The rest may be paid in cash that has been accumulated or may be borrowed on personal security or by giving some form of collateral security, such as a life insurance policy.

The building and loan association provides a means of accumulating money with which to build and of borrowing money to complete the payment. In either case the individual must purchase shares of the association at a par value of \$100. A small fee or premium is required when the application for shares is made out. It is usually one dollar per share. Each company usually permits a choice of several plans for making the monthly payments varying in the amount to be paid monthly and in the length of time it will take to pay up the shares. If the shares are bought to accumulate a fund, the amount paid each month receives from 5% to 7% interest. The payments and the accumulated interest can be withdrawn at any time by giving a month's notice to the association. For example, suppose that twenty shares having a total par value of \$2000 are purchased on which \$20 would be paid as a fee and 75 cents per share

is to be paid monthly. At the end of a year, \$180 has been paid and \$185.78 may be withdrawn or allowed to accumulate. At the end of 92 months, \$1380 will have been paid in cash but the shares are then fully paid up and the owner can withdraw \$2000.

If shares are purchased for the purpose of borrowing money at once, the same plan is followed but the payments are larger to include the interest on the amount borrowed. The interest rate is usually 10% on the loan, but the borrower's shares also bear interest or share in the dividends so that the net cost of the loan is usually about 5%. Using the same purchase of twenty shares as an example, suppose that as soon as the shares are purchased a loan of \$2000 is made. In this case instead of paying 75c per share, the payment would be about \$1.59 per share, making a monthly payment of \$31.67 instead of \$15. At the end of 92 months he will have paid in \$2913.64, and his loan will have been fully paid up. He has then paid \$913.64 interest for the use of the money 92 months.

If the borrower wishes, after he has paid 50% or more, he may mortgage his property and cancel his shares by paying the balance of the loan. Anyone desiring to borrow money in this way can get full information from the secretary of any building and loan association.

Exercise 23. *a.* What would be the cost of three Pennsylvania \$1000 bonds at $97\frac{1}{4}$?

b. If the bonds bear $4\frac{1}{4}\%$ interest annually, what is the per cent of yield on the investment?

Exercise 24. *a.* A wishes to buy \$5000 worth of New York Central 5% bonds quoted at $102\frac{1}{4}$ and accrued interest. If interest was last paid on July 1 and the purchase is to be made on September 1, what will the bonds cost?

b. What rate of interest would A receive on his investment in (a)?

Exercise 25. The family of James Williams has purchased a house and lot for \$4750 by paying \$500 down and agreeing to pay \$40 per month until the entire amount is paid. If the purchase was made on April 1 and the rate of interest is 5%, how much remains to be paid at the end of one year from April 1?

Exercise 26. The Frank Gibson family, on October 1, purchased a duplex flat and lot for \$6500. They paid cash \$1500 and gave a mortgage for the balance with interest at 6%. They agreed to pay \$500 and accrued interest on October 1 of each year until the entire amount was paid. The insurance is 40c per year on each \$100 of the risk and the flat, which is valued at \$5100, is insured for two thirds of its value. The rate of taxation is 14 mills on an assessed valuation of 80% of the cost. The upper flat is rented for \$26 per month. How much, in addition to the rent of the upper flat, must be set aside each month for twelve months in order to provide for all these payments and expenses on the property?

Exercise 27. The William Fulton family bought a house and lot on November 1 for \$3800. They paid cash \$1500 and borrowed the balance from the Investment Savings and Loan Company. For this loan they agreed to pay \$30.67 per month for 118 months. At the end of that time their loan was to be canceled. The payments were kept up till the property was paid in full. If the money paid in cash was worth 5% per year, the insurance per year was 35c per \$100 on a risk of \$2700, and the repairs and taxes averaged \$40 per year, what is the entire amount paid on the property at the end of the 118 months?

QUESTIONS FOR DISCUSSION

1. What kinds of investments are the best for the average buyer? Why?
2. What is meant by the par value of a bond? How are bonds quoted?
3. How is the yield per cent on the investment found if the bonds are bought for either more or less than par?
4. How is the accrued interest on a bond found? Is it really an expense of the bond?
5. What are the reasons other than financial for owning one's own home?
6. What cautions should be observed in purchasing a home and giving a mortgage for part of the purchase price?
7. In buying a property on installments payable monthly, how do you determine how much is paid on the principal and how much is interest?
8. What is meant by a land contract? By a "lease with option"?
9. Explain the method of accumulating a fund in a building and loan association.
10. Explain the method of borrowing money from a building and loan association.

CHAPTER XIX

LEGAL POINTS EVERY WOMAN SHOULD KNOW

No business man would think of running his business without either having a working knowledge of the ordinary legal rules or securing competent advice on such matters as they occur. The latter is expensive and, in many cases, unnecessary. In the running of a household it is just as necessary that the housekeeper know certain simple legal rules that will put her at ease in business dealings and in many cases save the family unnecessary expense and loss.

SIGNING CONTRACTS. One invariable rule should be made and followed and that is not to sign *any* paper without first reading it over and *understanding* it. No woman should take anyone's word for what is in the contract. If an agent makes statements and promises that are not a part of the written or printed contract, they cannot be considered a part of the contract. The only safe way is to insist that every material thing be incorporated into the contract *before* it is signed. It should be known also that some printed contracts cannot be changed even by the agent's crossing out certain printed words and inserting others. Of such a nature are insurance contracts and any other contract that states on its face that "no agent has the power to change any of the provisions of the printed contract." As already explained, a married woman should sign all legal documents with her own legal name.

ORDERING GOODS. If an order is given for goods to be delivered at some future time, the contract is usually complete when the order is accepted by the firm for whom the agent is selling. The acceptance may be shown by the firm's sending a formal notice of acceptance, usually on a postal card, or by shipping the goods. The order may be canceled at any time before notice of acceptance reaches the buyer; after that it cannot usually be canceled.

BREACH OF WARRANTY IN THE SALE OF GOODS. When goods are ordered from a sample, from catalog, or by description, or an order is given to be made according to a description given by the buyer, there is an implied guarantee that the article will be equal to the sample or description. If it is not, the buyer ordinarily has a choice of two remedies:

1. She may keep the article and claim a deduction in the price on account of a failure of the article to equal the guarantee. Under these conditions she should either not make payment until a deduction is made or she should pay only part of the price.

2. She may refuse to keep the article and notify the seller to that effect.

INSTALLMENT PURCHASES. Furniture, books, musical instruments, and other articles are often purchased on installments. Almost all installment contracts provide that if the payments are not paid as they fall due, the seller may enter and take the property without going to law. The contract also usually provides that no part of the payments already made need be returned. The title to all installment purchases remains in the seller until the entire purchase price has been paid. But the risk, in case of loss by fire, flood, tornado, etc., is in the buyer. For this reason purchases on installments should be insured by the buyer.

If it is impossible to meet an installment as it falls due, a statement of the reasons should be made to the seller and his consent obtained to the postponement. Most sellers would much prefer to grant a reasonable request of this kind than to take the property back.

Notice must usually be given the seller if the property is to be removed from one place to another. The consent of the original seller must also be obtained if the original buyer wishes to sell the article before it is fully paid for. No title can be given in a transfer of this kind, but the buyer simply takes the same right that the original buyer had, and must complete the payments before he will get a title to the property. In many states also it is a criminal offense to sell an article bought on the installment plan without the consent of the original seller, if the article has not been fully paid for.

PAYMENTS IN MONEY. Payments of money should not be made to strangers, excepting possibly in very small amounts. When a bill is presented by a regular collector and it is known that the bill is correct, the bill may be paid in money if the amount is not large. The housekeeper should in all cases of this kind demand either a receipted bill or a receipt. It is a very dangerous practice to make a payment of money on giving an order to an agent. Reliable companies do not demand an advance payment. If the payment is made in advance to an agent who is not authorized by the company or who is authorized to take orders but not to collect money, the payer may lose what he has paid. Frauds of this kind have frequently been practiced upon housekeepers by persons taking orders for magazines, perhaps offering some premium with the magazines and collecting a part or all of the subscription price in advance. The housekeeper usually gets

nothing for her money, as these unauthorized persons pocket the money and turn in no subscriptions.

PAYMENTS BY CHECK. Many cautions have been given in regard to making payments by check, in the chapter on that subject, but there are a few legal points that should be added. Bills presented by agents or collectors, if the amount is larger than a dollar, should usually be paid by check. If the check is made payable to the business house to which the money is owed, it is entirely safe to make the payment to a stranger, as he cannot use it fraudulently without committing a forgery. Look with suspicion upon any collector who asks you to make the check payable to himself. No receipt need be taken when payment is made by check, as the check will be a receipt when it is returned by the bank at the end of the month. If a check has been given in payment and it is found that the check was given for the wrong amount or for a fraudulent purchase, the bank may be given notice to stop payment and must heed the order of the drawer of the check. It is best to do this by telephone at once as soon as the mistake is discovered and then to send a written notice. No matter through how many hands the check has passed, the bank will refuse payment if the notice reaches the bank before the check does.

LEASE. When property is leased for a definite term of years or months, the lease terminates at the end of the time specified. But if the tenant remains beyond the time specified in the lease, he may be considered by the landlord as a tenant from month to month or as renewing the lease for the same time as the original lease. It must be understood that leases for more than one year in practically all states are not enforceable unless in writing. But when the tenancy is from month to month, ordinarily called renting by the month,

notice must be given in writing in most states by either party at least thirty days before it is desired to terminate the tenancy. The tenant must also vacate the property at the time specified or he may be held for the rent for another month. For example, if the tenancy expires on April 30, and the tenant does not completely vacate the property by that date, he can be compelled to pay rent for the month of May if the landlord wishes to insist upon it.

- When a written lease is signed, the person leasing the property, called the lessee, must observe the conditions and restrictions imposed by the lease. These differ considerably in different leases, but there are some conditions that are either included in most leases or are implied by the law. The tenant must surrender the property at the expiration of the lease "in as good condition as now, necessary wear and damage by the elements excepted." He must agree to obey the rules and regulations of the city in reference to the use of the street and alley adjacent to the property, such as the proper disposal of garbage and the throwing of refuse in the alley, and the cleaning of the snow from the sidewalk. Of course, if a person is a tenant in a duplex occupied also by the owner he may be released from certain of these restrictions by the landlord, such as the removal of snow from the sidewalk. He may be prohibited from renting rooms in the building to some one else, and is usually prohibited from subleasing the property without the consent of the landlord. He can ordinarily be held for the rent for the term of the lease even if the building is out of repair or needs redecorating, or the furnace is out of repair, or the plumbing is out of repair, unless the landlord has specifically agreed to do these things in the lease. If he leaves the property before the expiration of the lease, he can be held for the rent for the balance of the

period unless the property has been rendered untenable by the elements, or is dangerous to health because unsanitary, or is dangerous to morals. In leasing or renting a property, neither party is bound by any oral statements that are not put into the written lease. Neither is a contract to lease or rent a property binding between the parties unless some money is paid to bind the contract. For example, if A agrees to lease to B a property for \$25 a month and to wait a week before B makes a payment on it, he may disregard this agreement and the next day lease the property to C. But if B had paid something down and taken a receipt for the payment, A could be held to the agreement. Any amount accepted by the landlord as a payment on the lease is sufficient to bind the agreement.

HIRE OF SERVICE. The hiring of a maid for the house involves certain legal rights and duties that every woman should know. Contracts of this kind are usually oral, but just as much contracts as if they were in writing. It must be understood, however, that if the contract for services is for a period greater than a year from the date of the contract, it must be in writing in order to be enforceable. As the contract of hire is usually by the week, either party is entitled to a week's notice before terminating the contract. This does not prevent the employer from discharging the maid for gross incompetency, disobedience, insolence, or immorality. In cases of this kind the employment may terminate at once and the employer must pay only for that part of the week that her maid has worked. The maid may also terminate the employment at once without notice if her employer has treated her cruelly. If the contract of employment is for a definite time with the wages payable weekly or monthly, the employer will be held liable for the payment of wages for the

entire time of the contract if the maid is discharged without good cause. If, however, the maid can get work for a part or all of the time, what she earns must be deducted from the amount of the contract unpaid.

In hiring a maid, every important feature of the work should be agreed upon, such as, the wages, afternoons off, use of evenings, deduction for breakage, entertainment of company, duties, etc. No deduction can be made from the wages for breakage or damage to the property of the employer, unless willful, except by agreement. Since the employer usually has the advantage in the matter of carrying out the contract, she should be careful to keep the contract agreed upon and give the maid extra compensation or special privileges if other duties are imposed upon her. The maid has, however, the advantage in the matter of terminating the employment without notice, as it is usually impossible to get any damages or any redress if the maid leaves without giving notice.

QUESTIONS AND PROBLEMS FOR DISCUSSION

1. What two important rules should be observed in signing contracts?
2. Is it safe to sign a contract the agent has changed by crossing out printed words and inserting others?
3. When an order is given for goods, can the order be canceled?
4. In installment sales, what right has the seller if the payments are not made as they mature?
5. Can the buyer of goods on the installment plan sell the goods before they are entirely paid for? Explain.
6. If goods are ordered from sample and the goods when delivered are not equal to the sample, what remedies has the buyer?
7. Mrs. Brown signed a contract to purchase certain kitchen utensils from the Utility Company. Before any notice was received from

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the company or the goods were shipped, she canceled the order. Is she bound by the contract?

8. Mrs. Kline bought a set of books on the installment plan. It was provided in the contract that she was to pay \$2.50 a month until the whole amount of \$18 was paid. She received the books and paid one installment, then shipped the books back and notified the company that she would not keep them. Can she be held to the contract?

9. Mrs. Willis signed a printed contract for the purchase of a vacuum cleaner. The contract provided that a deduction of \$5 was to be made from the price if delivery was made before May 1. The agent offered a further discount of \$3 if delivery was made before April 1, but this was not put into the written contract. Delivery was made, according to agreement, March 20, but the agent refused to make the deduction of \$3. Can he be forced to do so?

10. Why is it unsafe to make payments of money to strangers?

11. A collector for the A. B. Case Co. presented a bill to Mrs. Jones amounting to \$4.85. She paid the bill in money. After she had done so she discovered that the bill was incorrect and should have been for \$2.85. She called up the Case Company and found that the collector was not authorized to collect for them and had never been employed by them. What remedy has she? If she had given a check in payment, made payable to the A. B. Case Company, what could she have done?

12. Mrs. Cameron signed an order for the *Housekeeping System* magazine, presented by an agent. She paid the subscription price for one year, \$1.50, and took the agent's receipt. She did not receive the magazine and wrote to the company concerning it. They replied that they had never employed this agent and had received no part of the subscription price. What remedy has she? Why?

13. Mrs. Barber ordered an aluminum steam cooker from an aluminum sample. When the cooker was delivered it was found that it was not made of aluminum but of heavy tin. She refused to take it. Did she have the right? Why?

14. Mrs. Jackson, the owner of a delicatessen store, sold goods to a stranger amounting to \$1.25. He presented a check for \$10 which she cashed. She indorsed this check to the Hume Grocery Co. in payment for some groceries. When the Hume Grocery Co. took it to the bank, payment was refused because there were no funds in the bank to the credit of the drawer of the check. Who will lose? Why?

15. When property is leased by the month, what notice should be given to terminate the lease?

16. What are the principal conditions imposed upon the lessee of a property?

17. Can the owner of a property be forced to make repairs to a furnace or to the plumbing under the ordinary lease? Explain.

18. The C. E. Simms family leased a house for one year with the agreement that the owner would redecorate the house after three months. The lease was put into writing but nothing was said about the redecorating. At the end of three months the landlord refused to redecorate the property. The Simms family had it redecorated and withheld the payment of the rent sufficient to cover the cost of redecorating. The landlord refused to accept this reduction and brought suit for the money. Who will win? Why?

19. Mrs. Mann hired a maid for four months at \$5 per week, to be paid weekly. At the end of two months she discharged her without good cause. The maid was unable to get work during the remaining two months and brought suit against Mrs. Mann for the balance of the wages, \$40. Should she recover that amount? Why?

20. Mrs. Norton hired a maid at the weekly wage of \$4.50. At the end of the second week, she discharged her because of gross incompetency and insolence. As the maid had broken a cut glass dish worth \$5 she refused to pay her anything for the second week. Did she have the right to refuse payment? Explain.

CHAPTER XX

LEGAL POINTS EVERY WOMAN SHOULD KNOW (Concluded)

RIGHT TO CONTRACT IN HUSBAND'S NAME. A wife may enter into contracts of purchase, in her husband's name, to purchase necessities for the family, and the husband will be bound by them. Necessities include food, clothing, shelter, education, medical attendance, dentists' bill, etc., all considering the station of life and the income of the husband. For a wife whose husband's income is \$1000, a party dress costing \$100 and other similar expensive things would not be considered necessary. To one with an income of \$3000, with a social standing making such an expenditure necessary, it would be considered a necessity. The husband is not bound, except by his consent, by expenditures for luxuries or articles not necessary to the station in life.

The wife has, however, no power to sign her husband's name to notes, even for necessities, contracts for necessities, checks, etc., except by his appointment or consent. If a deposit is in the husband's name at the bank, she cannot sign his name to checks unless by his consent her signature is registered at the bank. This is usually done by writing the husband's name by or per her name.

CONTRACTS IN WIFE'S OWN RIGHT. By the law of most states, the wife may contract in her own name and hold property in her own name the same as an unmarried woman. The old common law that held that a wife's property is

merged into that of her husband at her marriage is no longer in effect. She may, in most states, engage in business and bind simply her own income and property, and the profits or property of the business conducted in her own name cannot be taken for the debts of her husband. In many states she cannot become surety for her husband and in a few states she cannot be a partner with her husband in business.

CONTRACTS OF GUARANTY. When one person agrees to become responsible for the debt of another he is called a guarantor, or surety. No person can be held liable for the payment of the debt of another unless the guarantee is in writing. If the guarantee is made in writing when the debt is incurred, the guarantor can be held if the buyer does not pay. But if the debt had been previously incurred, even a written guarantee would not be good unless the creditor was induced by the guarantee to extend the time of payment or to give up some legal right that he had. For example, if A wishes to buy something from B on credit and C agrees to guarantee payment if A does not pay, the contract of guarantee is good if in writing. But if A owed B a debt amounting to \$50 and C agreed to guarantee it in writing, C's guarantee would not be good unless B gave up some legal right that he had. If the debt was due and B agreed not to prosecute a suit against A if C guaranteed it, or if B agreed to extend the time of payment, C's guarantee would be good.

In the same way one may guarantee in writing the proper performance of a contract, such as a lease, the performance of a duty, the proper handling of money, or the proper carrying out of the duties of an official position.

LAW OF BAILMENT. A bailment is the leaving of an article with some one to have some work done upon it. The one who owns the article is called the bailor and the one to whom

it is given is called the bailee. For example, the taking of one's watch to a jeweler to be repaired, a bicycle to a repair shop, cloth to a tailor or dressmaker to be made into a suit or dress, laundry sent to a laundryman, or goods to a dyer to be cleaned or dyed, all constitute bailments. The bailee must take reasonable care of the articles delivered to him but is not held liable for loss due to fire, unless through his carelessness, nor for loss due to theft, if he has taken reasonable care of the article, nor for any loss due to flood, earthquake, tornadoes, or any other act of the elements that could not be foreseen and prevented. All of these rules apply to a bailment where the bailee is paid something for keeping the article or for doing something upon the article. Of course, the bailee may make himself liable for any loss due to the elements, theft, etc., but does so only by special agreement when he receives extra compensation for insurance against these losses. When an article is given to another to use without any compensation for its use, it is called a gratuitous bailment. In a bailment of this kind the bailee must use the article as agreed upon and must take the greatest care of it. If he misuses the article or violates the agreement, he is held liable for anything that occurs to the article to cause a loss.

LAW OF TRAVEL. In undertaking a journey by steam car, electric car, or boat, there are certain rules that every woman should know. When she purchases a ticket, her contract with the transportation company is limited by the ticket she purchases. She should see that it is properly dated and that the limitation as to time and use are such as she desires. If the ticket is a signature, description ticket, she should understand that the ticket is nontransferable and can be used only according to agreement. In checking her baggage, the company agrees on the check that she receives, to trans-

port the baggage to the destination designated on the check and to be responsible for loss or damage to the baggage not exceeding \$100. If any article of baggage is worth more than \$100, an extra charge is made for assuming liability for the loss over \$100. The transportation company is not responsible for loss or damage to baggage that is left in a seat or a rack of the car and is stolen. The transportation company is responsible for the careful transporting of the passenger, and if an injury occurs through carelessness of the transportation company, the company is liable for injury to her person.

LAW OF HOTELS. The law formerly held the hotel keeper to a very strict responsibility for the person and baggage of his guests. That responsibility has been greatly lessened by statute. In most states now, if the hotel keeper keeps a notice posted limiting his responsibility to the safekeeping of money and valuables only if deposited with him in the hotel safe, he is not responsible for loss that occurs due to fire, flood, or other elements, or by theft, except when caused by the act of one of the hotel's employees. The hotel keeper is responsible for any baggage from the time it is given into the custody of an employee of the hotel keeper. The hotel keeper has this responsibility for baggage, no matter whether the guest takes a room and sleeps there or whether she simply eats a meal there.

INTEREST IN PARTNERSHIPS AND CORPORATIONS. In a partnership each partner, no matter whether she has an equal interest in the business or not, has an equal voice in directing it. She shares in the profits and losses, however, according to the copartnership agreement. But the most important point of law in regard to partnerships is that each member of the partnership may be held for all the debts of the firm if

the partnership fails and other partners cannot pay their share of the loss. For instance, suppose that A, B, and C are in partnership. The partnership becomes bankrupt and cannot pay all of its obligations from the firm property. A and B have no property outside the partnership business that can be taken for the debts of the partnership. C has property outside the partnership that may be taken to pay the debts that the partnership cannot pay. It will be seen that unless each partner is familiar with the workings of the business, is honest, and exercises the utmost good faith with the other partners, there is danger of his being called upon to pay more than simply the partner's share of the losses.

In purchasing an interest in a corporation, one receives a certificate of stock saying that she is the owner of so many shares of stock of the corporation. The face value of each share is usually \$100 but may be some other amount if the state law does not prohibit. If the buyer purchases original stock from the corporation and pays the face value or more for the stock, she cannot lose any more than the face value if the corporation should fail. But if she purchases original stock and pays less than the face value for it, or if she buys stock from some one else who has not paid full value for it, she may be called upon to make up the difference between what was paid for the original stock and the par value. But if one buys stock that was once paid for in full and afterwards comes back to the corporation by donation, purchase, or forfeiture, she may safely pay any amount less than par for it and cannot be called upon for any more if the corporation fails. This kind of stock is called treasury stock. Owners of stock in national and most state banks are liable for double the par value of the stock owned, that is, if the bank should fail and the bank could not pay all its obligations from the

property of the bank, a stockholder could be called upon to pay into the bank an amount equal to the par value of the stock which is owned.

DOWER. Every wife has a dower interest in the property of her husband which he is possessed of at the time of his death. This dower interest is a life interest in one third of the real property (land, buildings, etc.) that her husband owned during marriage and which he still holds at the time of his death. If this property is sold by the husband, she must join him in the deed of transfer and release her claim or the dower interest in this property will continue against the purchaser of the property. This dower interest cannot be used until the death of the husband. It is a life interest only and she can use the income from one third of the real estate during her life. She has no right to dispose of the property nor to waste it and must keep it in reasonable repair.

Her husband may at his death will her, in her own right, property which she may take in lieu of dower. If she accepts it, she gives up her dower right.

QUESTIONS AND PROBLEMS FOR DISCUSSION

1. What kinds of contracts may a wife make in her husband's name without his consent?
2. May a wife sign her husband's name to checks, notes, and other legal papers?
3. What is the right of a wife to engage in business or to make contracts in her own name?
4. Mr. Carroll has an account in the Union National Bank, at which his signature only is registered. The A. C. Frey Co. presents a bill during his absence. Mr. Carroll has instructed his wife to sign his name to checks in his absence. Mrs. Carroll writes a check in favor of the A. C. Frey Co. and signs her husband's name by her name. Will the check be honored at the bank? Explain.

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5. Mrs. Wild has property in her own name, which was received by gift from her mother. Her husband's creditors bring suit to force her to allow her property to be sold for his debt. Can they succeed? Why?

6. Mrs. Jeston's brother, Arthur Myers, owed the Norton Grocery Co. a debt amounting to \$50. To save her brother's credit she signed a guarantee that she would pay the debt if he did not. Her brother did not pay. Can she be forced to pay it. Why?

7. A and his wife are about to lease a property for one year at \$30 per month. The landlord demands a guarantor to sign the lease at the same time. C agrees to guarantee the proper payment of the rent each month and the fulfillment of the other conditions contained in the lease. He signs the lease as guarantor. A and B abandon the lease and move out at the end of nine months. The landlord is not able to rent the property for the other months and cannot collect the balance of the rent from A and B. The landlord seeks to hold C liable for the \$90. C has received no benefit from it. Can he be held? Explain.

8. Name some of the most important businesses that apply the rules of bailment.

9. For what is a bailee responsible if he is to receive compensation for taking care of the property?

10. Mrs. Bender borrowed a cut glass pitcher for use at a party. It was broken by her maid in washing it. Is Mrs. Bender liable for its value?

11. Mrs. Sanders borrowed a dozen knives and forks to be used for a party in her home. She used them for that purpose, then took them to a social, where they were stolen. Is she liable for their value?

12. Mrs. Hills sent cloth to a dyer's to be cleaned and dyed. During the cleaning of the cloth, some chemicals exploded and set fire to the shop, burning the cloth. Can the dyer be held for its value?

13. What are the principal points that a traveler should observe in purchasing a railroad ticket?

14. What is the carrier's liability for baggage? For the person of the traveler?

15. In stopping at a hotel, what should a guest do with valuables?

16. What is the liability of a hotel keeper for a guest's baggage?

17. Why is a partnership a dangerous form of business for a woman to enter?

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18. Is the liability of a stockholder in a corporation as great as that of a partner in a partnership? Explain.

19. What care should be taken in buying stock in a corporation? Why?

20. What is meant by a dower interest?

21. In what way can a wife lose her dower interest?

22. Under a right of dower, what are the rights of the wife in whom is vested the dower interest?

CHAPTER XXI

HOW TO WRITE A BUSINESS LETTER

A BUSINESS house is very often judged by the character of the letters it sends out, and business houses often judge the business ability of individuals by the letters received from them. Business practice has prescribed certain forms, customs, and rules for letter writing that must be followed by those who wish to be considered good business correspondents. These details differ very greatly from those of social and friendly correspondence. It is because of this and because every woman should be able to write a good business letter, correct in form and detail, that this subject is introduced here.

A letter may be divided into the following parts: heading, introduction, salutation, body, complimentary close, and signature.

THE HEADING. This consists of the address of the writer and the date. This information should be given at the beginning of the letter. It is a common thing to find women omitting the heading and placing the address of the writer and the date at the close of the letter after the writer's signature. This is a very poor practice because business custom has adopted the method of placing these details at the top of the letter, and business people expect to find it there.

The heading may occupy one, two, three, or four lines, depending upon the length of the writer's address and the size of the paper used. Most women use the note size of paper

(about $5\frac{1}{4}$ by $6\frac{1}{2}$) in writing business letters as well as social and friendly letters. For that reason, the heading will usually occupy two or three lines. Business houses usually use the letter size of paper ($8\frac{1}{2}$ by 11). The heading, when written on the letter size paper, seldom occupies more than two lines.

As a rule, the heading should usually begin from two to two and one half inches from the top of the page and a little to the left of the middle from left to right. The following illustrations, with the exception of the last, are given as they would be made on the ordinary note size paper.

1.

Antigo, Wis., July 8, 1916.

2.

Bowling Green, Ohio,
Sept. 16, 1916.

3.

457-39th St.,
Milwaukee, Wis.,
Jan. 10, 1916.

4.

Barnard Hall,
Univ. of Wisconsin,
Madison, Wis.

On letter size paper the third illustration would be written as follows :

457-39th St.,
Milwaukee, Wis., Jan. 10, 1916.

The punctuation given here is in accordance with the rules most commonly used, but some writers omit the comma at the end of each line. It is poor form to write the date followed by the terminations *st*, *d*, or *th*.

In writing a number and a numerical street written in figures, a short dash should be used as in illustration 3. But the dash should not be used when the name of the street is written out in full, as, 383 Tenth St. The comma is used by some writers to separate the numbers.

THE INTRODUCTION. The introduction consists of the name of the person to whom the letter is written, the title, and the full address.

The introduction should begin on the second line below the last line of the heading and should begin at the regular margin of the letter. The left-hand margin should be at least a half inch from the edge of the paper and the right-hand margin should be about the same width as the left. The second line of the introduction should be indented about the same distance from the regular margin that the regular margin is from the edge of the paper. The third line should begin a corresponding distance to the right of the second line.

Some courteous title of respect should be used either before or after the name of the person addressed, except in addressing a corporation, club, or society.

Mr. should be used in addressing a man unless the person addressed is entitled to some professional title. *Esq.*, a title placed after the name of a man, means the same as *Mr.* but is little used in the United States except in addressing lawyers and some public officials to whom no other title is applied. If it is used, *Mr.* should not be used before the name of the person addressed.

Professional titles, such as, *Rev.*, *Dr.*, *Prof.*, etc. take the

place of the title *Mr.* But the title may be omitted before the name and placed after it, as *M.D.* for a physician, *D.D.S.* for a dentist, etc. A professional title should not be used both before and after a name unless the one does not include the other. Rev. Charles Donald, D.D., and Prof. James C. Weaver, Ph.D., are correct. A title placed after the name should be separated from the name by a comma.

Messrs. should be used in addressing a firm composed of two or more men or in addressing a number of men as members of a committee, or not associated in business, as Messrs. Harvey & Grant, Messrs. Logan & Co., Messrs. Harris, Mann, and Norton, Committee.

The title *Messrs.* is also used in addressing a firm composed of men and women.

But in writing to a corporation beginning with *The* and ending with *Company* no title should be used, as, The Carr Mfg. Co.

In addressing an unmarried woman, *Miss* is the correct title, unless the woman has a professional title, as, Professor Carrie Dodge, Dr. Helen Wilson. *Misses* is the title that should be used for more than one unmarried woman, as, The Misses Brown.

A married woman should be addressed by the title *Mrs.* This is preferably prefixed to her husband's name, as, Mrs. James Brown, but some prefer to prefix it to her given name, as, Mrs. Mary Brown. A widow preferably uses the latter form.

Two or more married women should be addressed by the title *Mmes.*, the abbreviation for *Mesdames*, as, Mmes. Baker & Griffin, in addressing a firm composed of women, Mmes. James, Evans, and Foley, in addressing three women not associated in a business way.

The following examples illustrate different kinds of introductions :

Prof. Charles F. Rogers, Ph.D.,
370 Y. M. C. A. Bldg.,
Madison, Wis.

Messrs. Franklin & Good,
615 So. Wabash Ave.,
Chicago, Ill.

Mr. C. J. Jones, Manager,
P. Gross Hdwe. Co.,
Columbus, Ohio.

But if it is desired to address the firm and bring the letter to the attention of some particular person, it may be written as follows :

Johnson Candy Co.,
Mr. D. E. Bond, Manager,
St. Paul, Minn.

Miss Helen Davis,
Univ. of Chicago,
Chicago, Ill.

Mmes. Case & Gordon,
Elite Apartments,
Detroit, Mich.

THE SALUTATION. This is a courteous greeting. In the ordinary business letter *Dear Sir* should be used in addressing a man and *Gentlemen* in addressing a firm or corporation. A woman, whether married or unmarried, should be addressed as *Dear Madam*. A firm composed of women or a number of women not engaged in business should be addressed as *Ladies*.

When the letter is not entirely a business letter or where it

is desired to give a more friendly greeting, a salutation such as the following may be used : My dear Mr. Scott, Dear Mrs. Williams.

When a firm is composed partly of men and partly of women, *Gentlemen* should be used, although some prefer to omit the salutation. In addressing a man and his wife the salutation may be *Dear Sir and Madam*, or, the salutation may be omitted.

In letters to officials, the formal salutation, *Sir* or *Madam* should be used.

The salutation should begin at the margin of the letter and should be followed by the colon for a business letter or by the colon or comma for a friendly letter. The colon and dash and the comma and dash are no longer considered good form.

BODY OF THE LETTER. The body of the letter should begin on the second or paragraph margin and every paragraph should begin on the same margin. The paragraphs should be short and a separate paragraph should be used for each division of the subject.

In referring to the date of a previous letter or to the date of the letter which is being answered, the month and day of the month should be used, as, "I have not received the goods which I ordered of you on the 6th of this month," "Your letter of May 6 has been received." Do not use the old style abbreviations *inst.*, *ult.*, and *prox.* instead of the name of the month.

COMPLIMENTARY CLOSE. This is a courteous closing. The most common forms for a business letter are: *Yours truly*, *Yours very truly*, *Very truly yours*. In closing a letter addressed to an official, in closing a letter of application or a letter asking a favor, *Respectfully yours*, *Yours respectfully*, or *Respectfully* should be used.

The complimentary close should begin on the next line below the close of the body of the letter and about at the middle of the line. The first word only should be capitalized and the complimentary close should be followed by a comma.

SIGNATURE. The signature should be written on the next line below the complimentary close and should end near the right-hand margin. In signing a business letter, an unmarried woman should sign her given name and her surname with *Miss* placed in parentheses before it, as, (Miss) Grace Hill. A married woman should write her given name and her surname. Then below it in parentheses she should write her husband's name with *Mrs.* prefixed, or, if she wishes to be addressed by her given name, she may prefix *Mrs.* in parentheses before her signature.

Examples :

Clara Harris.
(Mrs. Wm. Harris.)
Or,
(Mrs.) Clara Harris.

A woman should never sign simply her initials and surname.

The following outline of a business letter is given as it would be written on note size paper :

360 Grant Ave.,
Cleveland, Ohio,
June 1, 1916.

Messrs. J. A. Brown & Co.,
185 Eighth St.,
Detroit, Mich.

Gentlemen :

(Body of Letter)

(Paragraph Beginning)

Yours very truly,
(Miss) Florence Garner.

FOLDING. Letters written on the ordinary note size paper should be folded once from the bottom to the top and placed in the envelope with the creases at the bottom and to the left. If the paper is longer, it should be folded first from the top down less than a third of the length and then from the bottom up to within about half an inch of the top fold and placed in the envelope in the same way.

Letters written on letter size paper ordinarily used by business men should be folded as follows :

1. Fold the sheet from the bottom to within about one quarter inch of the top.
2. Fold from the right to the left a little less than one third of the width of the sheet.
3. Fold from left to right to within about one quarter inch of the right fold.
4. Insert the letter in the envelope, held in the hand with the address side down, with the creased edges to the right and at the bottom.

THE ENVELOPE. The address on the envelope should be the same as the introduction at the beginning of the letter.

Mrs. W. H. Moore
1715 North Ave.
Milwaukee, Wis.

STAMP

Messrs. E. B. Gordon & Co.

516 Highland St.

Columbus, Ohio.

154 HOUSEHOLD ACCOUNTING AND ECONOMICS

Most business houses use no mark of punctuation at the end of each line except for abbreviations, although some still use the comma. The return address should always be placed either in the upper left-hand corner or on the back across the lower part of the flap. The form on page 153 is recommended by the postal authorities.

Some special points to be observed in writing different kinds of letters as well as suggestive letters of different types will now be given.

LETTERS ORDERING GOODS. In writing a letter ordering goods, the order should be made very complete. It should usually contain

1. A reference to the catalog from which the goods are ordered. This should definitely state the year of the catalog and the month or season, if given, and if the catalog has a number, it is best to mention it in the order.

2. A definite statement of the goods ordered. This should include the quantity, the catalog number, a description as to size, color, material, etc., the price of each article singly, and the total price. The articles ordered should be arranged in tabular form like the illustration on page 155.

3. The method of shipment, whether by express, freight, or parcel post, the date on which the goods are desired, and the destination if different from the writer's address should be given.

4. If a remittance is made, the letter should state the form of the remittance, as, postal money order, express money order, check, or draft, and the amount of the remittance. The amount should be written in figures only.

Firms doing a mail order business usually provide printed order blanks for their customers. If the order blank provides a space for remarks, no letter is necessary.

Letter Ordering Goods

785 W. Cass St.,
Toledo, Ohio,
May 7, 1916.

Messrs. C. Scott & Co.,
175 State St.,
Chicago, Ill.

Gentlemen :

Please ship the following order, taken from your 1916 Spring catalog, by American express :

6 pair Ladies' Lisle Hose, black, size 8½, at 50c	\$3.00
1 pair Ladies' Kid Gloves, tan, size 5½	1.50
10 yds. Taffeta, white, No. 6, like sample, at 25c	2.50
	<u>\$7.00</u>

Please ship the goods so that they will reach me not later than May 15.

Inclosed you will find a postal money order for \$7 to pay for the above order.

Yours very truly,
(Signature)

Inclosure.

Letter Ordering a Magazine

716 W. 45th St.,
St. Paul, Minn.
Dec. 10, 1916.

Good Housekeeping Magazine,
119 W. Fortieth St.,
New York City, N. Y.

Gentlemen :

Inclosed you will find a postal money order for \$2.50, for which please renew my subscription to the Good House-

keeping magazine to the above address for one year, and send the magazine for one year to Mrs. Henry J. Garner, 2775 Highland Blvd., Milwaukee, Wis. This is in accordance with your offer on page 7 of the December issue.

Both the renewal and the new subscription should begin with the January 1916 issue.

Yours very truly,
Hattie Howard.

(Mrs. James W. Howard.)

Inclosure.

LETTERS OF APPLICATION. It is difficult to give rules for writing letters of application because so many things must be taken into consideration. Good writing, correct spelling, neatness, attention to form and arrangement, and a good quality of paper are absolutely essential. Originality, not freakishness, is sure to command attention. The letter of application should state the writer's qualifications in a modest, truthful, and dignified manner.

A letter of application should usually state the following facts:

1. How the information about the vacancy was obtained. It may have been from an advertisement, from an agency, or from some individual. The advertisement may give the name of the advertiser, but more commonly it is impersonal.

2. Qualifications, including age (usually), education, especially the training that pertains directly to the position applied for, and experience.

3. References or testimonials. The applicant should refer to persons who can give information about the ability and character of the applicant. The name, address, and position held should be given definitely. It is best to obtain permis-

sion to do this before giving the names as references. Testimonials or recommendations are not much used any more except when the advertisement calls for them. Copies should always be sent and not the originals.

4. Any other information, such as a statement of the salary wanted, should be given.

5. A Closing Statement. This should be a short, courteous request for an interview, or the expression of a hope that the application may be favorably considered.

Letter of Application

517 Wright St.,
Chicago, Ill.,
April 10, 1916.

B 178,
Chicago Tribune,
Chicago, Ill.

Gentlemen :

In answer to your advertisement in yesterday's Tribune, I wish to apply for the position of clerical assistant in your office.

I am 18 years of age. I completed the commercial course in the Parker High School of this city last June. In that school we were given special work in rapid calculation, penmanship, correspondence, business forms, typewriting, shorthand, and other subjects pertaining to office work. Since last September, I have been employed as an assistant in the Hyde Park Branch Library, but desire to obtain employment in a business office instead.

As to my character and ability, I refer you to Miss Clara Scott, an instructor in Parker High School, and Mr. Chas.

Martin, head of the Hyde Park Branch Library, both of this city.

I believe that if I am given a trial I can do your work satisfactorily. I should be glad to make a personal application at some convenient time. My telephone number is Kedzie 1736.

Respectfully yours,
(Signature)

Exercise 28. From a catalog or advertisement, order three books. Inclose a money order in payment.

Exercise 29. Order a pair of shoes from The Rich Shoe Co., Toledo, Ohio. Give all the necessary details. Inclose \$1 and ask them to send the shoes by express C. O. D. with the privilege of examining them before paying the balance. This is in accordance with their offer on page 73 of their Spring catalog of 1916.

Exercise 30. Order *The Century Magazine* published by The Century Co., 353 Fourth Ave., New York, N. Y. Inclose a money order in payment of the subscription price for one year, \$4.

Exercise 31. Answer the following advertisement: Wanted. Young woman as office clerk and typist; no shorthand; state age, training, experience, and give references. Address J 75, Sentinel.

Exercise 32. Answer the following advertisement: Wanted. Young woman about 18 years of age to do clerical work and answer the telephone. One with some knowledge of shorthand preferred. No experience necessary. Apply by letter. C. E. Kline & Co., 615 Ninth St.

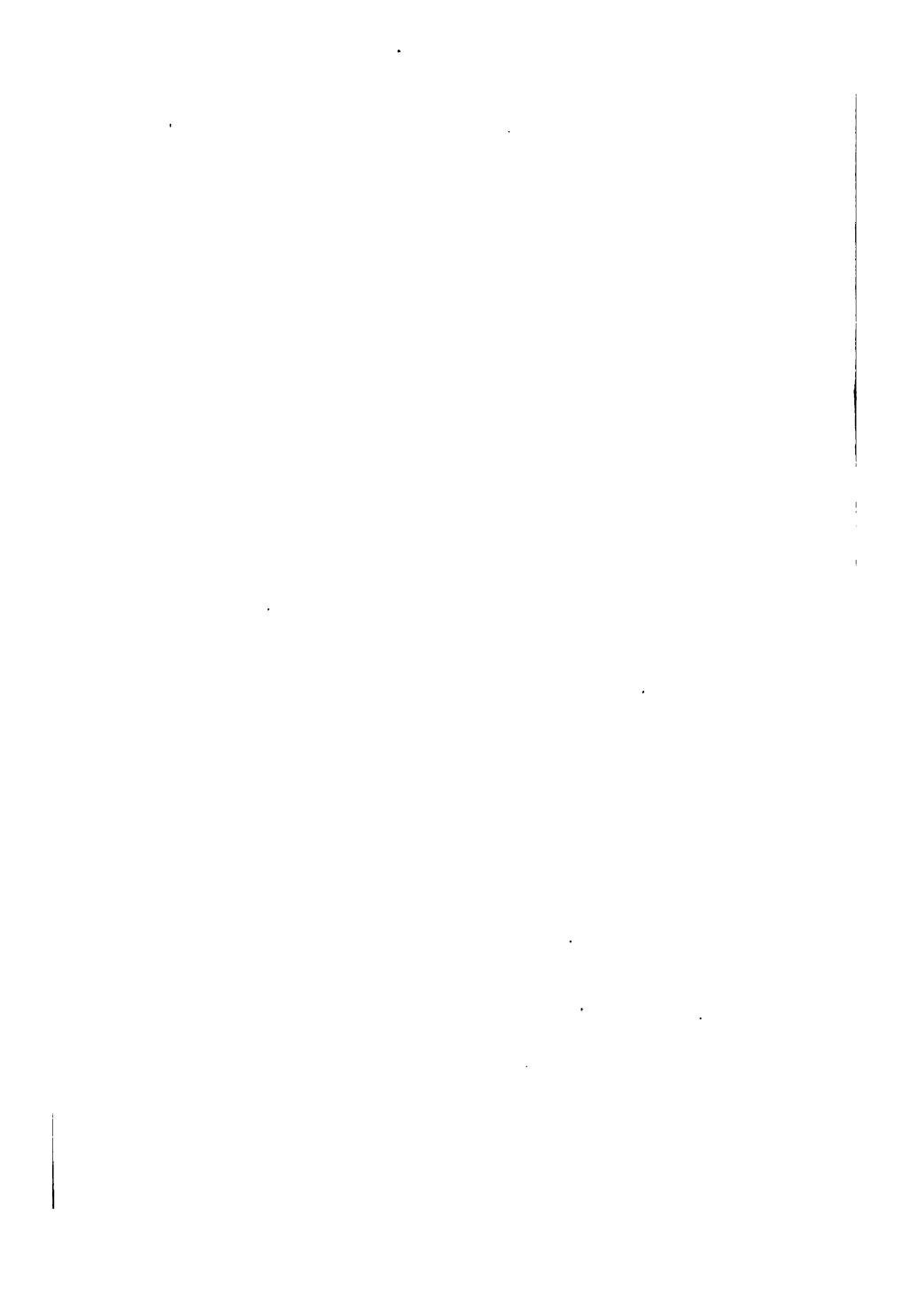
Exercise 33. Answer the following advertisement. A young woman of training and experience to take charge of a high-class cafeteria catering to women. Give details and references. Address Box 475, Cleveland, Ohio.

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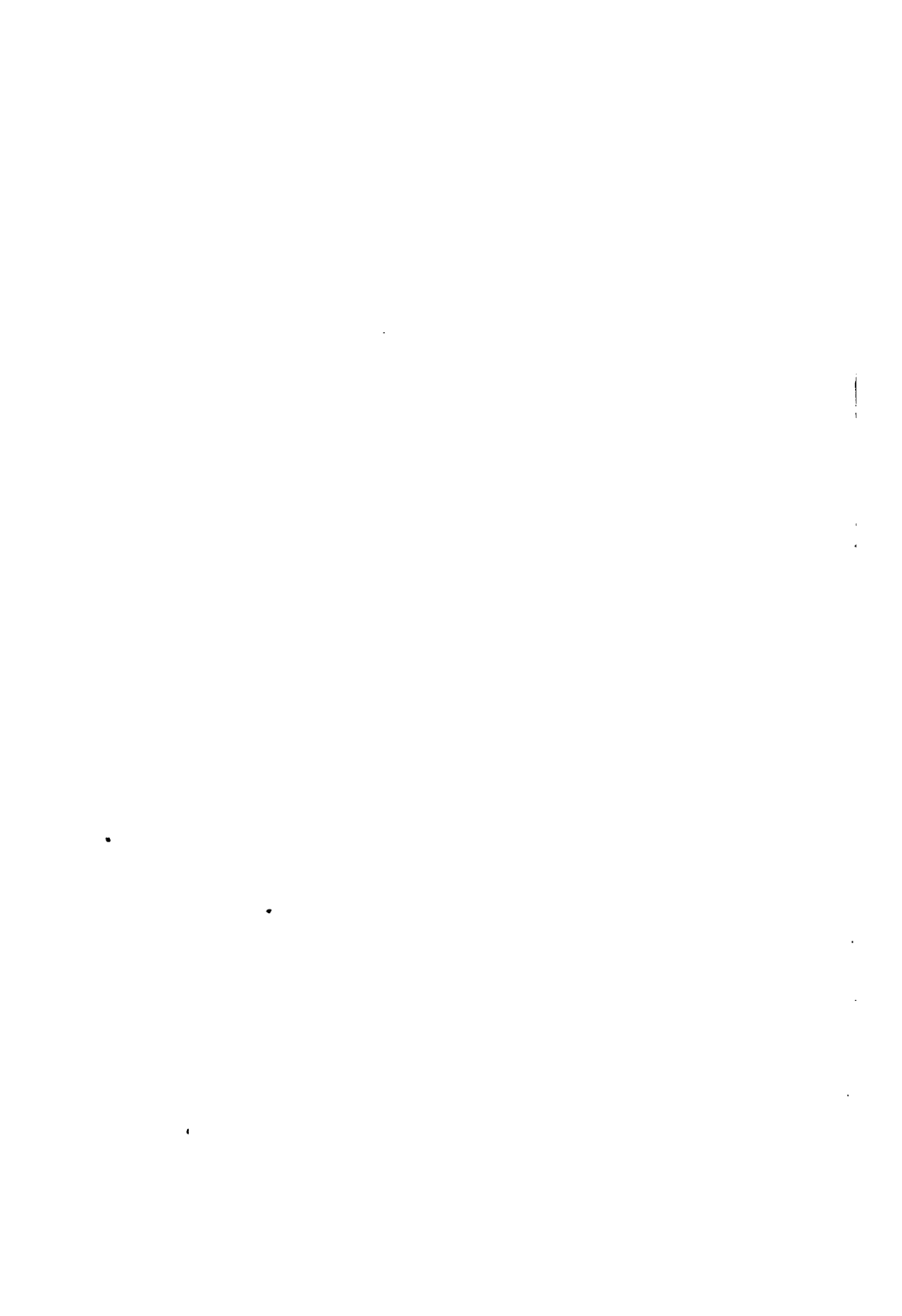
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